2010 ANNUAL REPORT

MOVING FORWARD

AlbertaCentral

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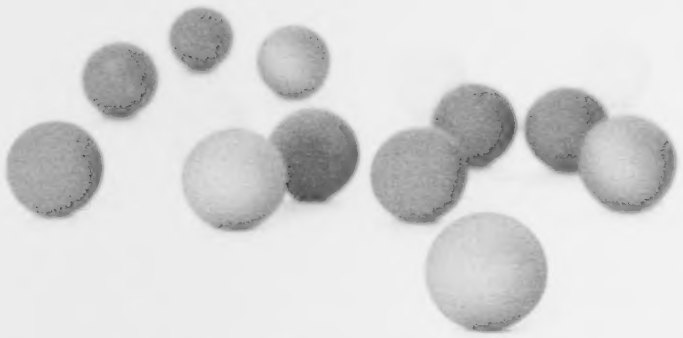
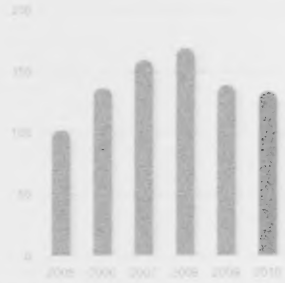


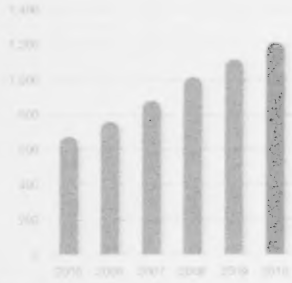
Financial Highlights 2010

Alberta Credit Union System Highlights

($ millions)
ASSETS

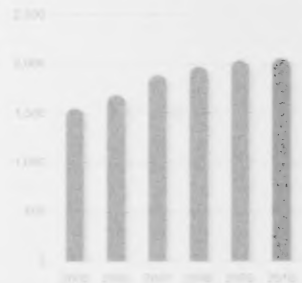


($ millions)
EARNINGS

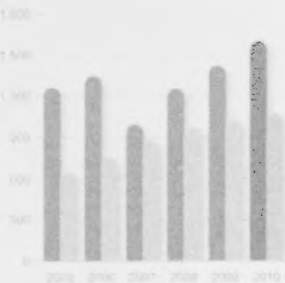


($ millions)
EQUITY

Alberta Central Highlights

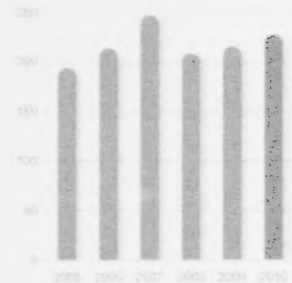


($ millions)
ASSETS



($ millions)
OPERATING LIQUIDITY

ACTUAL
REQUIRED



($ millions)
MEMBERS' EQUITY

Alberta Central is dedicated to supporting the growth and competitiveness of Alberta credit unions.

Message from the Acting Chair

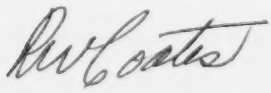
It is with great sadness that I am delivering this message, as it is only due to the sudden and heartbreaking loss of our Chair Jack Paterson earlier this year that I am currently acting as Chair of Alberta Central. Jack will be dearly missed by his many colleagues in the credit union system.

In retrospect, 2010 could most certainly be characterized as very eventful. The year was dominated by a drive for change and innovation in order to best serve credit unions. Accordingly, Alberta Central's Board and staff began the year working collectively with the centrals of Saskatchewan and Manitoba, along with Concentra Financial, to realize the benefits that an amalgamated central could provide to Prairie credit unions. Despite our extensive work, the Prairie Central was not achieved. However, through this process, we received valuable feedback from credit unions regarding their expectations of Alberta Central, today and into the future. The insights that were received will provide the basis for the future strategic outlook of Alberta Central, and assist in determining how our organization can best position itself to serve credit unions.

Moving forward into 2011, the Alberta Central Board and management team will continue to evaluate emerging strategic issues, explore best practices, and examine new ways for Alberta Central to continually provide optimal products and services to credit unions. Given the number of initiatives that are currently underway at Alberta Central in support of credit unions, I expect 2011 to be another eventful year.

I would like to take this opportunity to acknowledge my fellow board members for their hard work and commitment to Alberta Central over the last year, and to express appreciation to them for their invaluable advice during a difficult year. Looking to the future, it is my hope that Alberta Central will continue to benefit from a Board as qualified and diversified as the group that I am privileged to serve with today.

On behalf of the Board, I would also like to recognize and thank the management and staff of Alberta Central for their dedication in supporting the growth and competitiveness of Alberta credit unions. It is a pleasure to be a part of this organization; I am confident that we are prepared to successfully confront the challenges and seize the opportunities that 2011 will bring.



Ray Coates
Acting Chair of the Board

Alberta Central achieved very positive financial results in 2010.

Graham Wetter
President & CEO, Alberta Central

Message from the President & CEO

The year 2010 was characterized by continued volatility in the economic environment with emerging signs of recovery countered by a new debt crisis in Europe, continued weakness in US housing and employment, and warning signs about Canadian consumer debt loads. In the face of this uncertainty and volatility, interest rates remained at very low levels during 2010. All of this created an environment where financial institutions continued to experience challenges in achieving normal levels of profitability and growth. Despite this lingering economic uncertainty, I am pleased to report that Alberta Central achieved very positive financial results in 2010. Alberta Central recorded net earnings of $9.6 million, which significantly exceeded expectations for the year. Contributing factors included better-than-expected operating results from Celero Solutions, lower operational expenses through cost savings realized from CUPS and other parts of the organization, a partial recovery of our asset backed commercial paper provision, and cost savings resulting from the discontinuation of the Prairie Central initiative.

Alberta Central's success can also be measured by progress on its key strategic initiatives for the year. Excellent progress was made on initiatives in various areas to better position the Alberta credit union system for future growth and long-term success.

Banking System Conversions

After three years of intensive work, Celero and their Prairie credit union clients completed the *Project Meta* conversions in 2010. Over the course of the project, there were 111 conversions to the new eroWORKS℠ banking system. This achievement represents the largest IT project in Canadian credit union history. The key objectives of the project were to bring new, state-of-the-art, open architecture banking technology to credit unions, while realizing significant economies of scale through the rationalization of four disparate banking systems. The conclusion of *Project Meta* creates a user community of more than 100 credit unions, and significant potential for further efficiency through collaboration among credit unions.

2010 also marked Alberta Central's own conversion to the eroWORKS℠ banking system. This extremely successful conversion was a direct result of extensive and comprehensive planning, training and testing. Central's conversion to eroWORKS℠ allows us to share in the efficiencies gained by credit unions and will allow enhanced levels of service to credit unions in accessing financial services from Central. Moving forward, Alberta Central will focus on refining new internal processes associated with the eroWORKS℠ banking system.

Looking ahead to 2011, Celero is preparing for the rollout of the next generation banking system, eroWORKS® DNA. The system is designed to substantially streamline the front end interface between credit union service representatives and members, creating additional revenue opportunities to cross-sell new products and services to their members. DNA will also resolve a number of outstanding functionality issues of concern to credit unions and is expected to create a more efficient platform for future software upgrades. The DNA version is currently undergoing testing and certification, and will be piloted at Wainwright Credit Union in early 2011.

Inter-Credit Union Banking Pilot Program

Alberta credit unions are well known for delivering a high level of customer service. To augment their service capabilities, an *Inter-Credit Union (ICU) Banking Pilot Program* was launched in August 2010. This initiative aimed to provide credit union members access to services at branches of any of the eight pilot credit unions. The credit unions involved in the pilot were located in 26 communities across southern Alberta and offered 10 different services to their members, without surcharges or any incremental fees. Alberta Central received very positive feedback from participating credit unions, all of whom reported satisfaction from their members in response to the initiative. The objective of this pilot program was to test processes and gain further insights in preparation for the implementation of a province-wide inter-credit union banking program, which is now set to launch in May of 2011.

Chip Card Migration

A significant technological improvement for Alberta credit unions was the migration from magnetic stripe card technology to chip card technology. This project was coordinated by a national project team with representatives from Credit Union Central of Canada, provincial centrals, credit unions, group processors, Everlink and CUETS Financial. December 31, 2010 marked the first in a series of deadlines established by the Interac Association for the transition to chip technology. By this date, 90% of deposit-taking ATMs were required to be chip enabled and 65% of debit cards were to be re-issued as chip cards. The Alberta and Canadian credit union system exceeded these targets, thanks to the tremendous work of various project teams. All remaining cards are expected to be chip enabled well before the 100% compliance deadline of December 31, 2012.

Group Clearing

In partnership with Central 1, SaskCentral, and Credit Union Central of Manitoba, Alberta Central announced an agreement to establish a joint venture to govern and operate the group clearing arrangements for credit unions across Canada. This new joint venture is being established as a result of Credit Union Central of Canada's decision to focus solely on its role as a national trade association and withdraw from operational functions such as group clearing. The targeted implementation date for this initiative is June 2011, subject to respective board and regulatory approvals.

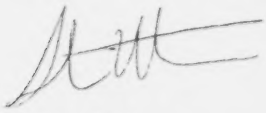
Human Resources Initiatives

Staff engagement continues to be a priority for Alberta Central. Our employee surveys continue to demonstrate steady and significant progress as initiatives were undertaken to strengthen leadership, communication and performance management programs and processes. These initiatives have significantly reduced staff turnover and improved customer service.

Prairie Central Outcome

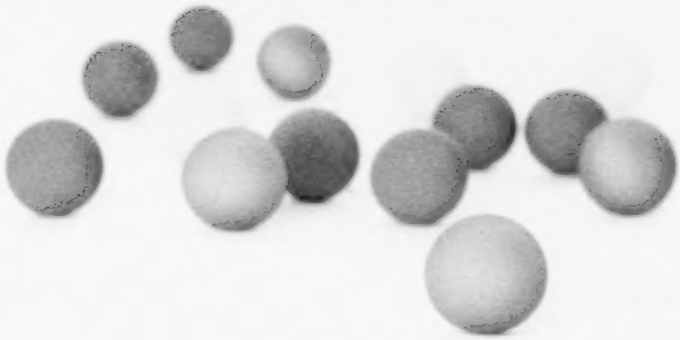
While Alberta Central's financial and operating performance was very positive, 2010 included a measure of disappointment resulting from the discontinuation of the Prairie Central project. The Prairie Central would have provided credit unions with deeper liquidity resources, greater efficiencies and stronger service capabilities from their central organization. Notwithstanding the tremendous efforts by Alberta Central to gain the approval of the Government of Alberta for this merger, Alberta Central and its other Central partners withdrew from merger discussions due to the terms and conditions for approval the Government of Alberta placed on the initiative, which were not consistent with the principles and strategic approach laid out as the foundation for the Prairie Central.

Alberta Central is currently assessing its strategic options for the long term and is in the process of consulting with credit unions on their service expectations for Central. In the meantime, Alberta Central will continue to focus on supporting Alberta credit unions through competitive product and service offerings, and the superior service that credit unions have come to expect of us. We look forward to continuing our focus on supporting the sustained growth and market competitiveness of Alberta credit unions.



Graham Wetter
President & CEO, Alberta Central

Members received more than $60 million in patronage and share dividends in 2010.



About the Credit Union System

Credit Unions are Member Owned

- Credit unions are full-service organizations that offer a competitive range of financial products and services to consumers, small and medium businesses, as well as agribusinesses.
- A credit union member is both a customer and shareholder who partakes in electing their credit union's board of directors and shares in the profits earned through share or patronage dividends.
- Credit unions share a common vision of working together and contributing to society, thereby making their communities better places to live.

Credit Unions in Alberta Today

- Credit unions have loans of over $15 billion to Albertans, and a deposit base exceeding $16 billion.
- With 36 credit unions, 209 branches and 268 ATMs, credit unions offer Albertans access to one of the largest banking networks in the province.
- One out of six Albertans are credit union members.
- Approximately 3,300 Albertans are employed full-time by credit unions and their affiliates.
- Credit unions returned more than $50 million in patronage and share dividends to Alberta members in 2010.

The Alberta Credit Union System: Helping to Make the World a Better Place

Alberta credit unions are not only trusted financial institutions for Albertans, but are also active participants in international endeavours. Together with the Co-operative Development Foundation (CDF) and the Canadian Co-operative Association (CCA), the credit union system helps to make global communities better places to live. To reduce global poverty, the CDF raises funds in support of co-operative and credit union development programming which is delivered in partnership with the CCA. To the benefit of Canadians and people around the world, the CCA provides leadership to globally promote, develop and unite co-operatives and credit unions. The common objective to foster the global community is prevalent across all participating organizations and is demonstrated in 2010 joint initiatives.

Credit Unions Urged to Respond to Requests for Haiti Disaster Relief

Alberta credit unions reacted with sorrow to the news of earthquake devastation in Haiti in January 2010. Reverberations from the earthquake's epicenter, located 10 miles south of Port-au-Prince, decimated Haiti's capital city. An estimated three million people were affected by the quake; the Haitian government reported that an estimated 230,000 people had died, 300,000 had been injured and 1,000,000 left homeless.

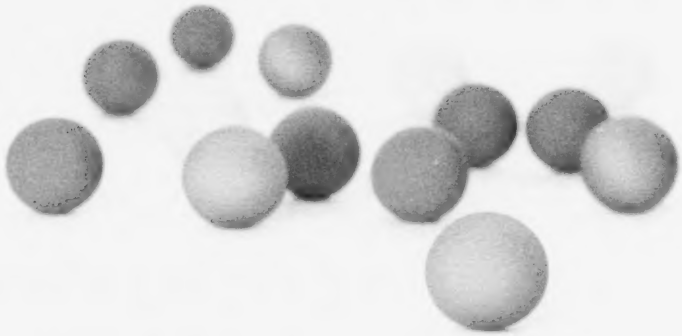
The credit union difference has always been defined by the belief in the co-operative principle of "people helping people". Alberta credit union actions reflect this belief. In light of the disaster, credit unions were urged to donate in response to the tragedy and were encouraged to reach out to their members in order to facilitate the collection of donations to assist the victims of the Haiti catastrophe.

To further promote this initiative, the CDF worked in partnership with the World Council of Credit Unions (WOCCU) to raise funds which would assist in rebuilding Haiti's devastated credit union system. WOCCU raised a total of $1.2 million to rebuild credit unions, as well as provide physical and psychological support to credit union staff.

Servus Hosts Credit Union Manager from International Mentoring Program

In June 2010, Servus Credit Union participated in the International Mentoring Program by hosting a Credit and Collection Manager from Agado Multi-Purpose Cooperative. Located in the Philippines, Agado Multi-Purpose Cooperative is a member-owned savings and credit organization that has over 31,000 members. Molina was a participant in the CCA Women's Mentoring Program which offers an opportunity for women leaders from overseas financial co-operatives to gain professional development experience.

The program is comprehensive and participants are exposed to various topics such as loan assessment, credit scoring, loan tracking and delinquency control, mergers/amalgamations, human resources, marketing, governance, deposit guarantee funds and change management. It is designed to support the development of knowledge and experience related to the specific needs of women in financial co-operatives, as well as to provide professional development opportunities to women leaders of financial co-operatives in developing countries. For credit union participants, the opportunity enables them to learn more about the operations of savings and credit co-operatives in other countries. This program fosters the opportunity for mutual learning and the experience for every participant is invaluable.



About Alberta Central

At Alberta Central (Central), our goal is to be a key strategic partner for Alberta credit unions. Through our commitment to service, and with the help of our dedicated employees, we are helping our credit unions meet the expectations of their members. We continue to work side by side with our credit unions with a single goal in mind: to help our system grow, prosper and achieve financial success.

Core Strategies

Central has three core strategies in achieving its mission of supporting credit unions:

- Deliver services that support credit union system development
- Achieve strong and stable financial results
- Have the organizational culture and staff to achieve its mission

Services

Lending

- credit union loan program
- commercial loan syndication program
- mortgage pooling
- agricultural, commercial, residential and consumer lending support
- development and marketing of operational manuals
- liaison for provincial and national lending committees, legislation and task forces

Treasury

- liquidity and investment management
- foreign exchange
- derivative strategy
- asset liability management

Risk Management

- system representation on national and industry risk committees
- management of system fraud awareness and loss prevention training
- master policy holder for master bond program
- risk management support for the system

Audit

- internal audit services

Central Purchasing

- environmentally-focused local and national product sourcing and procurement
- inventory management and distribution
- banking, promotional and service award products
- discount programs
- direct mail services

We continue to work side by side with our credit unions, with a single goal in mind: to help our system grow, prosper and achieve financial success.

Government Relations, Strategic Planning and Communications

- facilitation of system strategic planning and decision making
- provincial and federal government relations support and advocacy
- system representation on national and industry committees and affiliate organizations
- management of system communication programs

Credit Union Payment Services (CUPS)

- image-based cheque and deposit processing services
- remittance and lockbox processing
- paper and electronic lead bank processing
- electronic bill payment processing
- paper and electronic statement processing services
- integrated document imaging and records management services
- customer automated funds transfer (CAFT) and automated funds transfer (AFT)
- wire transfer payments
- ATM/POS settlement and reconciliation
- distribution and mailroom services
- cash processing services

Celero Solutions

Celero offers a complete line of banking solutions and information technology services under its two product suites: eroWORKS℠ and eroSERVE℠.

Celero's eroWORKS℠ product suite includes:

- eroWORKS℠ Retail Banking core platform
- asset liability management
- loans participation module
- customer relationship management (cView)
- digital report view and archive (e-Report and e-Retrieval)
- safety deposit box
- optimize training, reporting and consulting
- hot card services

Celero's eroSERVE℠ complete business and financial technology services include:

- internet banking, powered by *MemberDirect*℠ services, including mobile services telephone banking
- loans origination system
- switch transaction services
- risk management tools, such as anti-money laundering and fraud detection, disaster recovery, monitoring and intrusion prevention

CUPS Payment and Tracing Services
(left to right) Sue Schmitt, Carol Nicolson and Bruni Haig

CUPS Payment and Tracing Services
(left to right) Agnes Yano, Natasha Hyapokov and Jody Shouldice

- application and hosting services
- applications integration
- messaging, including e-mail and smart phone (BlackBerry®) services
- network services including local (LANS), wide area (WANS), metropolitan area (MANs), and virtual private network (VPN) solutions and internet service provider (ISP) services
- network application trouble detection and analysis services
- custom product and application development
- high-availability infrastructure and data centres managed by IBM
- desktop computing
- business solutions consulting
- client care services
- member support services, delivered by Sonoma Technical Support

Alberta Central Affiliates

Joint Ventures

Celero Solutions

- **Employees:** 270
- **Clients:** Over 150
- **Annual Operating Budget:** Approximately $80 million
- **Owners:** Alberta Central, Credit Union Central of Manitoba, SaskCentral, Concentra Financial

CUPS Payment Services

- **Employees:** 156
- **Clients:** Over 160 credit unions, corporations and other financial institutions
- **Transactions Processed:** Over 160 million annually
- **Owners:** Alberta Central, SaskCentral

Investments

Credit Union Central of Canada

- **Employees:** 50
- **2010 Dividends:** $770,000
- **Net Investment Income:** $1,295,000
- **Net Trade Division Assessment:** $8,675,341
- **Owners:** Provincial Centrals and Other Members

Concentra Financial

- **Employees:** 363
- **Assets Under Administration:** $23.4 billion
- **Corporate Assets:** $3.6 billion
- **Owners:** Provincial Centrals, credit unions, CUMIS, The Co-operators

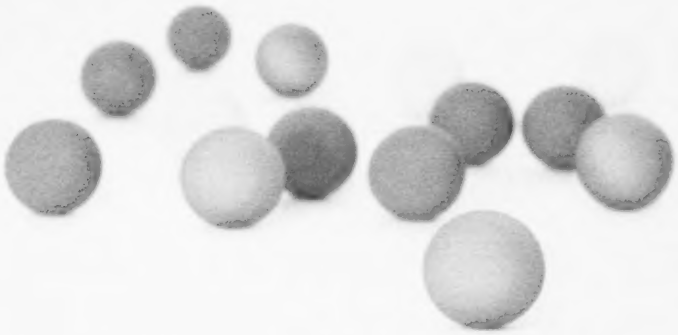
Credential Financial Inc.

- **Employees:** 226
- **Credit Union Partners:** 227 across Canada
- **Assets Under Administration:** $10.8 billion
- **Owners:** Provincial Centrals (50%), CUMIS (50%)

Northwest & Ethical Investments L.P. (NEI)

- **Employees:** 87
- **Assets Under Management:** $4.94 billion
- **Owners:** Provincial Centrals (50%), Desjardins Group (50%)

Alberta Central is committed to practicing good governance.



Corporate Governance

Board of Directors

Alberta Central's Board is comprised of thirteen Directors. Central Directors represent four credit union regions. Two of the regions are determined geographically (North and South Regions). The other two regions are comprised of the two largest credit unions in Alberta (Servus and First Calgary Financial).

REGION	ALBERTA CENTRAL'S MEMBER CREDIT UNIONS			DIRECTOR ENTITLEMENT
A	Servus			5
B	First Calgary Financial			2
North	Battle River Beaumont Christian Eckville Edson	Caisse Horizon Lakeland River City Rocky S.G.E.	University Hospital Vermilion Wainwright Wetaskiwin	3
South	1st Choice Bow Valley Calgary Police Canada Safeway CHEC Chinook	City Plus Inglewood Khalsa Legacy Savings Lethbridge Legion Mountain View	Pegasus Pincher Creek Rolling Hills Shell Stanco TransCanada	3

Director Roles & Responsibilities

The Board of Directors, representing Alberta credit union members, is responsible for overseeing the management of Alberta Central, providing recommendations and approval of strategic plans, and ensuring the interests of Central and the credit union system are represented. The role and responsibilities of Alberta Central's Board and the President & CEO are outlined in Central's corporate policies, bylaws and terms of reference for each Board standing committee.

Board Committees

Central's Board has standing committees that are responsible for both legislated and delegated functions. The committees are comprised of Central Directors, and as resources, Central management. Each committee meets regularly throughout the year and is required to provide timely and regular reports to the Board of Directors.

The Chair of Alberta Central's Board is also the Chair of the Executive Committee. For the remaining committees, the Chairs are elected by the Directors of the respective committees.

Executive Committee

The Executive Committee is comprised of the four table officers of the Board of Directors (Chair, First Vice-Chair, Second Vice-Chair and Secretary) and the past Chair or other person elected to fill the fifth position on the committee. This committee has three primary functions which include managing the performance review process and compensation of the President & CEO on an annual basis, reviewing the Board meeting agenda and acting as a sounding board on relevant issues, as well as appointing Directors to the remainder of the committees. In making these appointments, the committee takes into consideration the relevant background and expertise of board members, the expressed interest and development needs of board members, and the need for a diversity of experience on the committees.

Credit Committee

The Credit Committee is comprised of four Directors. The committee has oversight responsibility for Alberta Central's lending activities in accordance with Central's *Lending Policy*. This includes reviewing and recommending to the Board of Directors changes to the policy, monitoring performance against the policy, and approving loans that exceed management limits.

Governance Committee

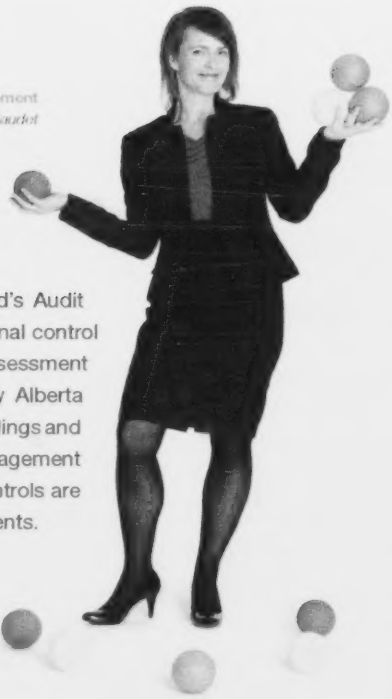
The Governance Committee is comprised of four Directors. The committee has oversight responsibility for Alberta Central's corporate policies and governance practices. Every two years, the committee ensures that Board standing committees' terms of reference, Central's Board remuneration policy and Central's other corporate policies are reviewed and updated as required. The Governance Committee also ensures that a board self assessment process is conducted every year in order to maximize the effective functioning and performance of the Board, and is responsible for making recommendations to the Board to address any issues identified through the self assessment process. This committee reviews guidelines issued by the Office of the Superintendent of Financial Institutions Canada (OSFI) relevant to governance, as well as several industry best practices in order to continually improve Central's operations.

Audit & Finance Committee

The Audit & Finance Committee is comprised of four Directors. The committee has oversight responsibility for the *Investment Policy* and *Enterprise Risk Governing Policy* and provides oversight of Central's internal audit function. The committee meets directly with and reviews reports prepared by internal and external auditors (as required), and ensures compliance with Central's bylaws, financial and risk policies. The auditors meet periodically with the Audit & Finance Committee both in the presence and absence of management. The committee is also responsible for reviewing and recommending to the Board the audit mandate and annual audit plan, the audited consolidated financial statements, as well as Central's financial, risk management and treasury reports, and the annual budget.

Conduct Review Committee

The Conduct Review Committee is comprised of the same four Directors as the Audit & Finance Committee, and the Chair of the committee is the same as that of the Audit & Finance Committee. To ensure compliance with the requirements of the *Cooperative Credit Associations Act* (the Act) with respect to related-party transactions, the committee was established to provide oversight and responsibility for managing compliance with the Act. All related-party transactions of Board members and executive management are reviewed by the Conduct Review Committee, which is responsible for reporting any violation of related-party rules to OSFI.



Risk Management
Alanna Gaudet

Internal Controls

Alberta Central's internal audit team, under the direction of the Board's Audit and Finance Committee, periodically assesses the effectiveness of internal control procedures. As part of Alberta Central's regulatory compliance self-assessment procedures, an independent audit of compliance reports prepared by Alberta Central's Chief Compliance Officer is reviewed on an annual basis. The findings and recommendations of the internal audit team are reported to Central management and the Audit and Finance Committee to ensure appropriate internal controls are in place, and continued compliance with applicable regulatory requirements.

Risk Management

To effectively manage risk, the Board has established an *Enterprise Risk Governing Policy*, *Lending Policy* and *Investment Policy*. On an annual basis, the Audit and Finance Committee and Credit Committee review and make recommendations to the Board of Directors on these policies. The *Investment Policy* provides for an Asset Liability Committee (ALCO) comprised of management, which meets on a quarterly basis to formally review Central's investment and lending portfolio management and compliance to policy. A Management Risk Committee, comprised of the executive management team, regularly assesses the key risks Central faces and updates the Board on its risk assessments. Alberta Central's enterprise risk management program is discussed further in Management's Discussion and Analysis (MD&A).

On an annual basis, Central's employees are required to review and certify their understanding of and compliance with the specified business conduct policies.

Conduct and Accountability

Alberta Central has policies and procedures that promote professional and ethical behaviour. Central's policies outline the standards of conduct that employees must adhere to in performing their duties for the organization. On an annual basis, Central's employees are required to review and certify their understanding of and compliance with the specified business conduct policies. Central's Directors annually complete an oath of office and conflict of interest declaration, which outlines their obligations with respect to standards of conduct, confidentiality of Central's business matters, and related party transaction rules.

Disclosure of Governance Practices

Corporate governance in Canada for public companies requires a full disclosure of corporate governance practices, and the securities commissions have published disclosure guidelines specific to this requirement. In accordance with developments in corporate governance best practices, Alberta Central now discloses its governance practices in its annual reports.

Board Independence

Central's board is comprised entirely of independent, non-employee Directors. In furthering the independence of its Directors, Alberta Central's Board meets independently of management as part of every scheduled meeting. The Board also meets with the external auditor, without management present, on at least an annual basis, and the internal audit function also has direct access to the Board's Audit and Finance Committee. The Board may independently engage outside professional advisors and is empowered to do so by Central's bylaws.

Board Self-Assessment

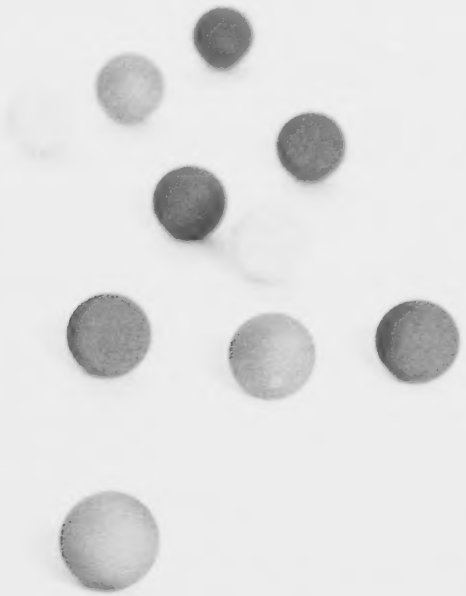
The Board conducts an annual self-assessment process which evaluates the effectiveness of the Board as a whole. Central's executive management team participates in the Board assessment process at the invitation of the Board to provide input and recommendations on Board effectiveness and process.

Director Remuneration

Directors are entitled to receive remuneration in the form of monthly honoraria, per diem fees for attendance at Board meetings and compensation for travel time and expenses. Certain directors have voluntarily waived their Director remuneration. The total remuneration and expenses paid to Central Directors is disclosed in note 16 of the consolidated financial statements.

Director Orientation and Development

All Directors participate in an orientation session upon appointment to the Board to assist them in carrying out their roles and responsibilities as Directors. Each Director is provided with the opportunity and budget to attend courses, seminars and conferences of their choice for professional development activities relevant to their role on Central's Board.



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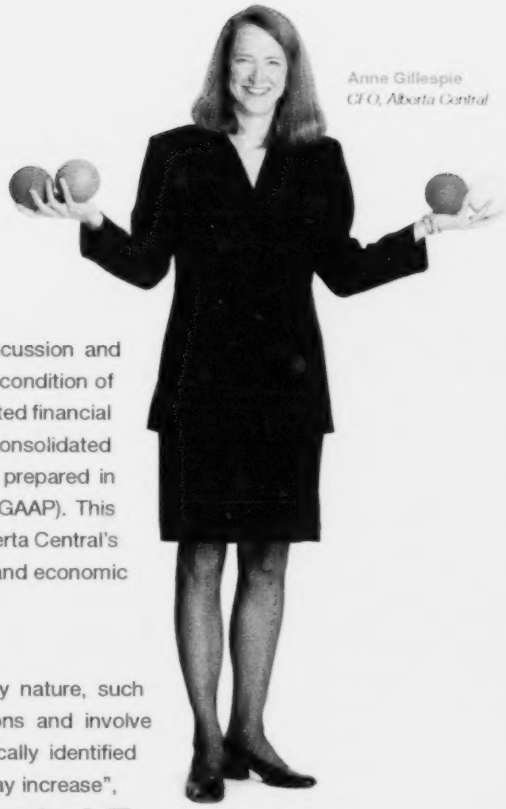

Anne Gillespie
CFO, Alberta Central

Management's Discussion and Analysis

Overview

This section of the annual report, which provides Management's Discussion and Analysis (MD&A) of the consolidated results of operations and financial condition of Alberta Central, should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2010. The consolidated financial statements are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). This MD&A is dated February 17, 2011 and provides comments regarding Alberta Central's core business profile, financial and operating results, risk management and economic outlook.

Caution Regarding Forward-Looking Statements

This annual report includes forward-looking statements. By their very nature, such forward-looking statements require management to make assumptions and involve inherent risks and uncertainties. Forward-looking statements are typically identified by the words "believe", "expect", "anticipate", "intend", "estimate", "may increase", "may impact", and other similar expressions, or future or conditional verbs such as "will", "should", "would" and "could". A number of important factors, many of which are beyond management's control, could cause actual future results, conditions, actions or events to differ materially from the targets, projections, expectations, estimates or intentions expressed in forward-looking statements. These factors include, but are not limited to, changes in general economic conditions in Canada, particularly those in Alberta, including: interest rates, currency values, and liquidity conditions; the effects of conditions in the credit union system which Alberta Central serves; legislative or regulatory developments; changes in accounting standards or policies and Central's success in anticipating and managing the risks inherent in these factors. We caution readers that the foregoing list is not exhaustive. Undue reliance should not be placed on forward-looking statements as actual results may differ materially from expectations. Alberta Central does not undertake to update any forward-looking statements contained in this annual report.

Core Business

The delivery of services that support development of Alberta's credit union system is one of Alberta Central's core strategies. As the primary liquidity provider and trade association for the system, Alberta Central and its joint ventures provide leadership and support to credit unions through a variety of products and services.

Alberta Central's treasury and lending departments work closely together to manage the statutory and excess liquidity deposits and demand and term funding requirements for Alberta credit unions. They are responsible for maintaining a stable earning asset base while providing for the borrowing needs of credit unions and their members. With an R-1 (low) credit rating by Dominion Bond Rating Service (DBRS)[1], Alberta Central's commercial paper program provides access to capital markets. While its core treasury and lending

1 *May 7, 2010 Rating Report.*

services are designed to meet the financing, liquidity and growth needs of the system, Alberta Central also provides foreign exchange, derivative and syndicated loan program services to Alberta credit unions.

With a 50% ownership interest in the Credit Union Payment Services (CUPS) joint venture, Alberta Central supports the payment and settlement operations for the system. Operations include processing of paper-based deposits and clearings, cheque and document imaging, and electronic services such as automated funds transfers and wire transfers. Alberta Central's participation in the earnings from this venture is based on the volume of Alberta credit union payment processing activity.

Through its 31.4% interest in Celero Solutions and Celero's 49% interest in Everlink Payment Services Inc. (Everlink), Alberta Central supports information technology solutions for credit unions, including banking system and switching system development and maintenance, related network and infrastructure support, professional services, desktop support and help desk services.

Prior to October 1, 2007, Alberta Central had a 50% interest in CU Electronic Transaction Services (CUETS), a credit card processing entity. The terms of various non-compete agreements continue until September 2011.

Alberta Central is governed under the *Cooperative Credit Associations Act of Canada* and the *Credit Union Act of Alberta*, and is regulated federally by the Office of the Superintendent of Financial Institutions Canada (OSFI) and provincially by Alberta Finance and Enterprise (AFE).

Economic Environment[2]

Developments in the Alberta economy impact the performance of the Alberta credit union system but sometimes with a lag effect. Factors with a direct influence include the housing and labour markets, and interest and foreign exchange rates. The energy sector impacts the system mainly through secondary effects and as such, has a lag effect. Additionally, changes in some financial indicators such as delinquency rates lag movements in economic variables. These factors should be considered when assessing the financial performance of the Alberta credit union system.

The global economic recovery has been fragile and moderate. In 2010, economic growth in developed countries was supported by fiscal and monetary policies, along with temporary factors such as the rebuilding of business inventories. The recovery was limited by ongoing de-leveraging and weakness in the labour market, particularly in the United States. Developments in the global economy affect Canada as exports are a significant contributor to the Canadian economy. Nonetheless, the recovery in Canada was not externally driven due to limited net growth in trade with other countries. Instead, the recovery was led domestically by increased consumer and government spending, and by businesses restocking inventories. In Alberta, the oil-based recovery was restrained by weakness in employment early in the year.

Growth

After two consecutive years of contraction, the Alberta economy is estimated to have expanded by 3.4% in 2010. The increase in real gross domestic product (GDP) was resource-led. The fastest growing industries were among those that suffered most during the recession and include mining, construction, manufacturing, forestry, and wholesale and retail trade. On the other hand, growth in finance, insurance and real estate was modest compared to previous years.

2 *Economic information was derived from the following sources: Statistics Canada, Conference Board of Canada, Canada Mortgage and Housing Corporation and the Province of Alberta. Alberta Central has not verified the accuracy or completeness of this information.*

Mining/Oil and Gas

Higher oil prices and lower development costs fuelled a recovery in the energy sector, the engine of the Alberta economy. The average number of active drilling rigs increased 61.3% in 2010. Production of crude oil and equivalents rose partly on account of increased crude oil prices, which averaged US$79.53 per barrel in 2010. At this price level, oil sands activity was heightened, and oil and gas land sales reached a record high. On the other hand, production of natural gas fell due to a decline in productivity per well and a reduction in average prices. Natural gas prices have remained low due to increased supply brought about by shale developments in the United States. The contribution of natural gas to the Government of Alberta's revenue declined significantly from pre-recession levels. Natural gas royalties are estimated to account for just over 20% of energy-related government revenue in 2010 compared to approximately 50% prior to the recession.

Agriculture

Alberta's agriculture industry was impacted by low prices in 2010. Farm cash receipts declined at a rate of 7.1% during the first nine months of the year. The decrease was primarily due to lower prices for major grains, as well as lower oilseed prices, which resulted in an overall decline in crop receipts. Receipts from livestock and livestock products grew over the same time period and receipts from government programs increased slightly. Consistent with the agricultural revenue results, the value of primary agriculture exports decreased 22.4% in 2010.

Housing

Following two years of significant decline, Alberta's housing starts grew 33.5% in 2010 while the market for the sale of existing homes contracted, dampening the overall performance of the housing market. In the first half of the year, residential construction was spurred by demand from buyers returning to the market but weakened during the second half of the year due to slowing presales, rising inventory, and competition from a well-supplied resale market. The decline in sales of existing homes resulted from some buyers accelerating home purchases in 2009 and early 2010 in anticipation of higher borrowing costs and more stringent government regulation. The average resale price of homes in Alberta rose 3.1% in 2010, representing modest growth compared to pre-recession price increases.

Vacancy Rates

Residential vacancy rates in Alberta's urban centres declined on account of improvements in the labour market and gains in net interprovincial migration. Commercial office vacancy rates for Alberta's two major urban centres moved in opposite directions. In Calgary the vacancy rate declined while it grew in Edmonton. The decrease in vacancy in Calgary was primarily attributable to engineering companies absorbing space as the energy sector began resurging and tenants moved to quality space that was offered at discounted rates.

Building Permits

The total value of building permits issued in Alberta increased slightly in 2010. This is a good indicator of future construction activity and showed signs of strength in residential activity but weakness in the non-residential sector. The value of residential and industrial building permits grew by 22.4% and 33.4% while the value of commercial and institutional/government building permits fell.

Labour Market

Average employment in Alberta fell by 0.4% in 2010, reflecting declines in most industries except mining and oil and gas extraction, construction and health care. The largest reductions in average employment occurred in the agriculture, finance, insurance and real estate industries. Despite the decrease in employment, the average unemployment rate fell marginally to 6.5% in 2010 on account of a decline in the labour force. Average weekly wages grew an estimated 4.4% due in part to an increase in the average weekly hours worked.

Consumer Spending

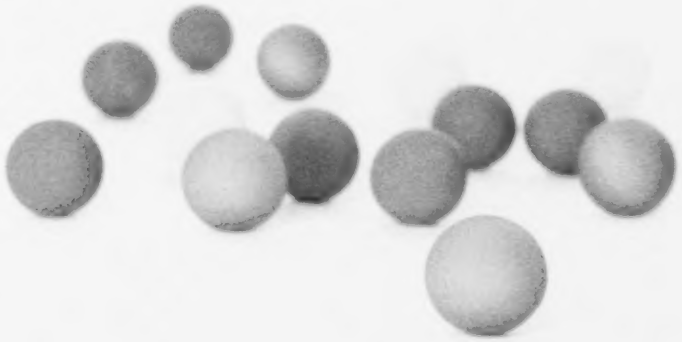
After a sharp decline in 2009, growth in consumer spending improved. Retail sales grew by 5.7% in 2010, driven by increased spending at service stations and new car dealerships. The increase in consumer spending was supported by the growth in wages, low financing rates, particularly in the first half of the year, a rise in consumer confidence and low consumer price increases; the lowest across Canada at 1%. Despite the increased consumer spending, the personal savings rate is estimated to have increased as a result of growth in personal income. Additionally, consumer bankruptcies fell sharply.

Interest Rates

The Bank of Canada (the Bank) followed through with its unprecedented conditional commitment to maintain its key policy interest rate at a record low of 0.25% until the end of the second quarter of 2010. In June 2010, the Bank increased its target for the overnight lending rate to 0.50%. The Bank rate and prime rate correspondingly rose to 0.75% and 2.50% respectively. There were two other successive rate hikes of 25 basis points in July and September 2010 before the Bank's October 2010 announcement that it would maintain its target for the overnight rate at 1%. A moderation in the global economic recovery weighed heavily on the Bank's decision at the time. The Bank maintained this rate for the remainder of 2010.

Foreign Exchange Rates

The Canadian dollar remained strong throughout 2010 and appreciated relative to the US dollar. In 2010, the Canadian dollar averaged 97 cents US, despite several periods when the US dollar strengthened as investors moved their funds to US denominated holdings due to concerns over the global economic climate and the European debt crisis.



2010 Financial Performance of the Alberta Credit Union System[3]

Consistent with the performance of the Alberta economy in 2010, Alberta credit unions experienced slow asset growth as lending conditions remained tight. In the 2010 fiscal year, credit unions' assets grew by 3.9% to $18.2 billion, down from growth of 6.1% in 2009 and well below the 20-year average annual growth rate of 9.1%.

ALBERTA CREDIT UNION SYSTEM – GROWTH

Year ended October 31,	2010	2009
Total assets *($000's)*	18,171,479	17,492,066
Asset growth	3.9%	6.1%
Deposit growth	4.0%	6.2%
Loan growth	4.1%	5.9%

Overall, deposit growth kept pace with loan growth, providing the necessary liquidity for credit unions and consequently, credit union borrowings from Alberta Central continued to decline.

ALBERTA CREDIT UNION SYSTEM – LOANS

Year ended October 31, *(000's)*	2010 $	2010 % Growth	2009 $	2009 % Growth
Residential mortgages	8,418,675	4.8%	8,034,183	10.6%
Commercial loans	4,459,178	2.9%	4,332,992	7.0%
Consumer loans	1,773,713	3.3%	1,716,723	(10.3%)
Agricultural and other loans	711,177	5.0%	677,401	(4.6%)
Total loans	$15,362,743	4.1%	$14,761,299	5.9%

Total outstanding loans to members rose by 4.1% compared to 5.9% in 2009. Overall, lending growth in all loan categories showed positive signs with consumer and agricultural and other loans recovering from their negative growth in 2009. In dollar terms, loan growth was concentrated in residential mortgages, accounting for over 60% of the increase in loans, followed by commercial loans, contributing over 20% of the increase.

The overall residential resale market continued to be volatile, both in price and volume, with new residential mortgages slowing down, but still above 2009 levels. Residential home prices seemed to have rebounded from their 2009 lows but remained fragile during 2010. Benefits of persistent historic low interest rates were partially offset by more stringent government regulation of the mortgage market, which resulted in housing becoming less affordable to buyers during 2010.

With the economic recovery continuing to remain fragile, delinquency levels increased from 0.95% in 2009 to 1.54% in late summer before improving to 1.29% at October 31st. The Alberta credit union system has not experienced delinquency rates at this level since the recession in the early 1990s. However, despite the challenging economic conditions, the allowance for impairment decreased 2 basis points in 2010 to 0.31% of total loans.

3 Alberta credit union system financial information has been provided by the Credit Union Deposit Guarantee Corporation (CUDGC), the regulator of the provincial credit union system. Alberta Central has not verified the accuracy or completeness of this information. All financial information is based on a fiscal October 31 year end.

Of the total delinquency, commercial loans and residential mortgages accounted for 43% and 44% respectively, followed by consumer and agricultural loans at 9% and 4% respectively. Delinquency in the commercial loan and residential mortgage portfolios tends to have a significant impact on delinquency ratios due to the large dollar value associated with these loans. The impact these loans have on loan loss allowances however, is typically offset by stronger security margins than normally found in other loan categories.

ALBERTA CREDIT UNION SYSTEM – RESULTS OF OPERATIONS

Year ended October 31,	2010	2009
Financial margin as a % of average assets	2.49%	2.45%
Net income before taxes and patronage *($000's)*	135,748	141,940
Net income before taxes and patronage as a % of average assets	0.76%	0.83%

After reaching an historic low of 2.25% in 2009, which caused severe margin compression, the prime rate experienced three successive 25 basis point increases between April and October 2010 which returned it to 3.0% by October 31st. Although they were concentrated in the latter half of the credit union fiscal year, the rate increases provided some relief to margin compression and financial margin improved 4 basis points by year end to 2.49% of average assets. Although the financial margin has improved, the credit union system's financial margin was still near a 20 year low.

At year end, net income before taxes and patronage dividends totaled $135.7 million or 76 basis points of average assets, down from 83 basis points of average assets in 2009. Two non-recurring positive items boosted credit union system net income in 2009 by $9.1 million. These related to one credit union accounting for Alberta Central as a significant influence investment and a payout of the master bond pool. If these items were excluded from 2009 results, net income before taxes and patronage as a percentage of average assets was 78 basis points, just slightly better than the current year's result of 76 basis points.

Despite a fragile economy, Alberta credit unions have demonstrated their sustainability and remained financially sound. They have stood by their members, rewarding them for their loyalty with patronage and share dividends of over $60 million.

Key Performance Drivers

The performance of Alberta's credit union system is a key driver of Alberta Central's balance sheet and the corresponding returns it produces. Statutory liquidity deposits at Alberta Central are a function of the Alberta credit union system's liabilities, and therefore growth in member deposits in the system translates to growth in Alberta Central's balance sheet. Lending levels from Alberta Central to credit unions typically fluctuate in tandem with lending activity at the retail level. Alberta credit union member consumer activity affects payment volumes in CUPS, and banking and switching volumes in Celero and Everlink.

2010 Financial Performance of Alberta Central

Results of Operations

Alberta Central's core strategies include the achievement of strong and stable financial results. This section provides management's commentary on the consolidated results of operations and financial condition of Alberta Central based on the audited consolidated financial statements for the year ended December 31, 2010.

Alberta Central achieved earnings of $9.6 million in 2010 comparing favourably to net earnings of $8.9 million in 2009. Current year earnings include a $4.0 million increase in the estimated fair value of asset backed commercial paper (ABCP).

Adjusting for the impact of changes in the fair value of ABCP, CUETS and CUMIS Group Limited (CUMIS)-related income, earnings before dividends and income taxes were $5.7 million in 2010, compared to $6.5 million in 2009.

ALBERTA CENTRAL – RESULTS OF OPERATIONS

Year ended December 31, ($000's)	2010	2009
Total assets	2,085,818	2,067,121
Financial margin	12,802	12,201
Net income	9,578	8,885
Net income before taxes and dividends – excluding ABCP, CUETS, and gain on sale of CUMIS	5,726	6,506

Financial Margin

Alberta's economy showed signs of beginning a slow recovery in 2010 with several economic indicators pointing to future upside. Alberta Central's assets continued to grow slowly in 2010, reflective of the slower growth in the underlying credit union system. In light of world-wide liquidity shortages in recent years, Alberta Central's role as liquidity provider to the Alberta credit union system continues to be critical and Central's management maintained a focus on managing liquidity risk; however, Central's holdings of short-term liquid securities are lower yielding assets, and like its member credit unions, Alberta Central also continued to experience financial margin compression throughout 2010 due to the low prime rate of interest.

In the second half of the year, credit unions relied less on Central to provide loans to fund their lending programs as they were able to fund their requirements from deposit growth. Consequently, Central's outstanding loans to credit unions declined while the investment portfolio grew, as members deposited excess liquidity at Alberta Central.

With increases in the prime rate totaling 75 basis points through the year, the interest-earning assets on Central's balance sheet produced a financial margin of $12.8 million compared to $12.2 million in 2009. This represented a 0.58% return on average assets before share dividends compared to 0.57% in 2009.

ALBERTA CENTRAL – FINANCIAL MARGIN

	2010			2009		
($000's)	$ Average Balances	$ Income/ (Expense)	Yield	$ Average Balances	$ Income/ (Expense)	Yield
Cash and securities	1,892,858	13,853	0.73%	1,810,266	16,459	0.91%
Credit union loans	131,267	2,117	1.61%	134,563	2,785	2.07%
Commercial and other loans	168,840	7,660	4.54%	173,134	7,525	4.35%
Other assets	28,256	–	0.00%	34,941	–	0.00%
	2,221,221	23,630	1.06%	2,152,904	26,769	1.24%
Members' deposits	1,948,397	(10,679)	0.55%	1,887,339	(14,362)	0.76%
Borrowings	26,711	(149)	0.56%	26,981	(206)	0.76%
Other liabilities	26,984	–	0.00%	27,718	–	0.00%
	2,002,092	(10,828)	0.54%	1,942,038	(14,563)	0.75%
Common share capital	185,253	(2,944)	1.59%	181,277	(4,418)	2.44%
Retained earnings and accumulated other comprehensive income	33,876	–	0.00%	29,589	–	0.00%
	219,129	(2,944)	1.34%	210,866	(4,418)	2.10%
	2,221,221	(13,772)	0.62%	2,152,904	(18,986)	0.88%
Return on assets						
Before dividends		12,802	0.58%		12,201	0.57%
After dividends		9,858	0.44%		7,783	0.36%

Provision for Credit Losses

The financial margin results (above) are before provisions for credit losses.

Alberta Central's loan portfolio is concentrated in Alberta. Credit risk exposure across industry sectors, excluding loans to credit unions, is outlined below.

ALBERTA CENTRAL – NON-CREDIT UNION LENDING

Year ended December 31,	2010		2009	
($000's)	$	%	$	%
Real estate	98,373	54.1%	104,328	61.1%
Hospitality	42,912	23.6%	30,222	17.7%
Health care	13,083	7.2%	17,845	10.5%
Technology	10,377	5.6%	10,710	6.3%
Finance	4,552	2.5%	6,068	3.6%
Retail	12,688	7.0%	1,429	0.8%
	181,985	100.0%	170,602	100.0%
Specific allowance	(893)		–	
Non specific allowance	(1,200)		(777)	
Total non-credit union lending, net	179,892		169,825	

Alberta Central's non-credit union lending portfolio balance has grown 6.6% from 2009. The hospitality and retail sectors achieved growth in both dollar and percentage terms, which was partially offset by reduced lending in real estate, health care, finance and technology.

The portfolio has remained relatively resilient through the recent economic cycle. Alberta Central maintains a specific and non-specific allowance for impairment to absorb losses in its loan portfolios and regular management reviews of each loan are conducted to identify indications of any impairment.

A specific allowance is recorded to reduce the carrying amount of loans to their estimated realizable values. On this basis, the specific loan allowance in 2010 included $0.5 million regarding a commercial loan syndicated with a member credit union as the lead lender, and $0.4 million relating to a loan to a cooperative organization. Given the uncertainty of the timing and amount of potential future cash flows, management determined that a specific allowance in respect of each of these loans was appropriate.

A non-specific allowance is based on Alberta Central management's overall evaluation of risk in the commercial loan and mortgage portfolio in recognition of potential losses not specifically identified on an item-by-item basis. In previous years, the non-specific allowance was estimated qualitatively on the commercial loan portfolio. During 2010, Alberta Central developed a quantitative model to determine an appropriate range for the non-specific loan allowance. The resiliency of the model was tested by statistically reviewing the impact of macro-economic data such as vacancy rates, retail sales, building permits and employment for the past 10 years on the credit risk inherent in Alberta Central's commercial loan and mortgage portfolio. Alberta Central concluded that the credit risk of its commercial loan and mortgage portfolio is primarily linked to delinquency rates within the Alberta credit union system. Based on these delinquency rates, with a factored time lag for changes in economic indictors to trigger a change in delinquency rates, Central's non-specific loan allowance was increased to $1.2 million from $0.8 million. Higher delinquency rates, as well as challenges in the real estate sector, have driven the increase.

Gain on Sale of Securities

In 2009, CUMIS was acquired by Co-operators Life Insurance Company and Central 1 Credit Union. As part of a buyout of the minority shareholders, Alberta Central sold its interest in CUMIS, realizing a gain of $1.9 million in 2009. In June 2010, additional proceeds of $0.2 million were received relating to this sale. Alberta Central also sold an ABCP tracking note in 2009 for sale proceeds and a gain on sale of $0.8 million.

Operating Income

In addition to its financial margin, Alberta Central earns operating income from its interest in the CUPS joint venture, ancillary financial services, credit union member dues and various facilities, human resources and accounting services provided to its joint ventures. Operating income increased from $23.0 million in 2009 to $23.3 million in 2010.

Because Alberta Central has joint control of CUPS, the proportionate consolidation method is used to record Alberta Central's share of CUPS' operating results; therefore Alberta Central's share of both CUPS' total income and total expenses is recorded through Alberta Central's operating income and operating expenses. Alberta Central's share of revenues from CUPS grew 3.6% to $9.6 million. CUPS continues to experience a change in its volume mix with shifts from paper based deposits and clearings to electronic based transactions. One of the key 2010 strategic initiatives in CUPS was to foster and support new product and service development to maintain competitiveness and deliver to credit union customer needs.

CUPS worked with Celero through the conversion of prairie credit union customers to the eroWORKS℠ banking platform and ensured that new electronic payment initiatives such as e-statements and advances in electronic bill payments were developed and supported. CUPS remains committed to providing market-competitive payment processing solutions to credit unions as its key clients.

Ancillary financial services include other sources of income outside the financial margin from treasury and lending services, purchasing, cash services, credit union audit services and Alberta Central's manuals program.

Foreign exchange revenues declined 43% to $0.6 million as the difficult economic conditions in 2009 and 2010 produced sharp declines in the volume of activity. Revenues earned by Central's purchasing department, cash services, credit union audit services, manuals and revenues from services to joint ventures were relatively consistent with prior year results.

A key 2010 strategic initiative in CUPS was to foster and support new product and service development to maintain competitiveness and deliver to credit union customer needs.

Operating Expenses

Operating expenses include those relating directly to Alberta Central and also Alberta Central's share of operating expenses in CUPS. Operating expenses totaled $25.4 million and include personnel, property and equipment, administration and organization costs.

Personnel costs increased $1.4 million to $12.5 million, inclusive of $1.1 million of retirement costs. Absent the retirement costs, personnel cost increases were limited to 3.1%. The 2010 staff complement for Central and CUPS Payment Services increased by less than one full time equivalent over 2009. Merit increases averaged 2.65%, in line with financial services sector adjustments in 2010. Having the organizational culture and staff to achieve our mission is a core strategy in Alberta Central and we are committed to investing in our employees. This is highlighted in one of eight 2011 strategic initiatives which focuses on a culture that attracts, retains and develops inspired employees.

Administrative and other spending includes costs related to two important initiatives in 2010. Investment in the Prairie Central merger initiative was budgeted at $4.8 million. As the initiative encountered challenges from a regulatory perspective, efforts were made to defer spending and as a result, the total cost for 2010 was limited to $0.3 million at the time the initiative was suspended. All merger costs have been expensed. Alberta Central's migration to the eroWORKS℠ banking platform was the company's second strategic initiative in 2010 and the conversion was successfully completed in November with minimal disruption to member credit unions. Capital costs for the eroWORKS℠ system totaled $0.6 million with 2010 incremental operating costs limited to $0.1 million. Alberta Central's share of operating costs from CUPS increased $0.2 million as the joint venture continued its investment in its technology strategy and related platforms.

Operating expenses in property and equipment and organization (third party costs for dues funded activities) decreased 3.9% and 0.2% respectively.

Equity Loss in Celero Solutions

2010 marked the completion of Celero's Project Meta, the largest information technology project in Canadian credit union history. There were 111 conversions to the new banking system which included credit unions, three centrals and Concentra Financial. In Alberta, there were a total of 19 conversions consisting of 18 credit union conversions plus Alberta Central. The conversion process was continually improved, resulting in consistently high 2010 client satisfaction scores. Celero's conversion methodology has proven to be efficient and reliable. The project met both its approved schedule and revised budget objectives, and involved an investment of over 1.7 million person-hours of effort.

The equity loss from Celero and Celero's equity loss in Everlink totaled $3.6 million in 2010, down from $5.3 million in 2009. These losses included $0.8 million relating to a write down of goodwill by Everlink and a $0.2 million loss from Everlink's operations. Everlink's significant pricing reductions on switching services to credit unions in 2009 and its loss of customer base in British Columbia were contributing factors in the goodwill adjustment. The remaining losses in Celero stem from the duplication of costs in the operation of four legacy banking platforms along with the new eroWORKS℠ platform.

2010 marked the completion of Celero's Project Meta, the largest IT project in Canadian credit union history.

With the completion of the eroWORKS℠ banking system rollout, Celero is able to decommission the inactive legacy banking systems and reduce the cost burden. Financial projections for Celero show considerable improvement in operating results after 2010.

A key 2011 Celero priority is the upgrade to the new DNA software release for the eroWORKS℠ banking system. The new software is anticipated to provide a boost to credit union productivity through streamlined interfaces and enhanced performance. The DNA upgrade team will leverage the expertise gained from completing Project Meta. Celero's strategy continues to evolve with a greater focus on customer intimacy, growth and profitability. Growth efforts will be targeted to profitable assignments and new ventures to increase the financial performance of Celero, and provide direct financial returns to the owner organizations. Celero will continue to evolve its array of products, services, partnerships, and delivery models to adapt to the diverse financial technology needs within the credit union system.

Increase in Estimated Fair Value of Asset-Backed Commercial Paper

As outlined in note 3 to the consolidated financial statements, at December 31, 2010 Alberta Central held non-bank and bank sponsored ABCP with a total face value of $212.4 million. At the dates of acquisition, these short-term investments were in compliance with Alberta Central's *Investment Policy* and were rated R-1 (High) by Dominion Bond Rating Service (DBRS), the highest credit rating issued for commercial paper. As a result of the general credit crisis that occurred in 2007 and 2008, the ABCP suffered a liquidity disruption and the notes were restructured into longer term floating rate notes that more closely matched the maturities of the underlying assets.

Strategic Planning
(left to right) Ioana Rumak, Levi Bosch and Sharon Friedrici

The non-bank ABCP was restructured into three basic categories of replacement notes:

- ABCP backed exclusively by traditional assets;
- ABCP backed by synthetic collateralized debt obligations or a combination of traditional assets and synthetic collateralized debt obligations (synthetic and hybrid assets);
- ABCP backed, in whole or in part, by US sub-prime assets or home equity loans that were expected to be subject to significant risk of suffering losses (ineligible assets).

Notes backed by synthetic and hybrid assets were pooled with other investors into one of two newly created special purpose entities called Master Asset Vehicles (MAV 1 and MAV 2). Under the plan, credit facilities used to fund collateral calls (margin funding facilities) were established for each of MAV 1 and MAV 2 to further enhance the stability of the pooled assets by increasing the available additional collateral support which may potentially be called upon in the future. MAV 1 participants funded their own pro rata share of the margin funding facility while in the case of MAV 2, a third-party margin funding facility was established and funded by a group of third-party lenders. In addition, a senior margin funding facility was arranged with the governments of Canada, Ontario, Quebec and Alberta. Alberta Central is a MAV 2 participant. Investors' holdings of ABCP backed by exclusively traditional assets or ineligible assets were restructured separately as traditional asset tracking notes or ineligible asset tracking notes of a third Master Asset Vehicle (MAV 3).

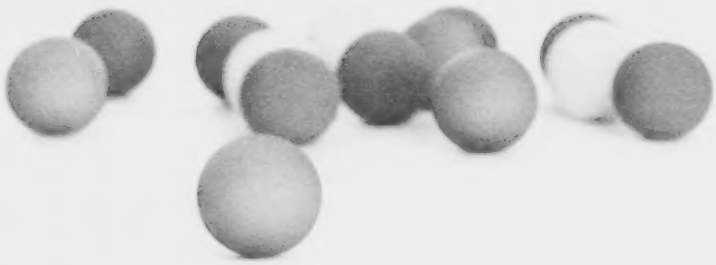
DBRS announced ratings on various restructured notes at the time of restructuring. On June 22, 2010, DBRS placed the credit rating of MAV 2 Class A-1 notes under review with positive implications and confirmed the BBB (low) rating of the MAV 2 Class A-2 notes. On September 21, 2010, DBRS upgraded the MAV 2 Class A-1 notes from A to A (high) and confirmed the BBB (low) rating of the MAV 2 Class A-2 notes.

During the year, Alberta Central received principal of $5.8 million on the restructured notes, bringing total principal repayments and face value of notes sold since the restructuring to $31.3 million. Due to an event of default during 2010, $1.2 million outstanding on account of principal in respect of a MAV 2 tracking note was deemed discharged and no longer outstanding. Alberta Central had already taken a full provision against this note.

The replacement notes are classified as held for trading financial assets and are carried at fair value. There have been a limited number of trades in the replacement notes but Alberta Central does not consider them to be of sufficient volume or value to constitute an active market. In the absence of an active market for these notes, accounting standards require the holder to "mark to market" or fair value the notes using a discounted cash flow model. Consistent with the valuation approach in the prior year, Alberta Central

has estimated the fair value of these assets using a discounted cash flow valuation model incorporating management's best estimates of credit risk attributable to underlying assets, market interest rates and other factors that a market participant would consider for such investments. The discount rates underlying the cash flow valuation are based on appropriate forward-credit indices, adjusted to reflect the expected lack of liquidity of the restructured notes. These indices are standardized, market-based indices compiled to reflect general credit quality conditions for similarly rated groups of companies.

There has been improvement in the forward-credit indices through 2010, resulting in a reduction in the market discount rate and an increase in the estimated fair value of the notes determined by the discounted cash flow valuation model. Accordingly, management has recorded an estimated increase in the fair value of ABCP of $4.0 million. Management will continue to review the valuation of the notes on a quarterly basis and record fair value adjustments as appropriate under GAAP.



At December 31, 2010, Alberta Central held the following investments in bank and non-bank sponsored-ABCP with fair values as indicated:

ALBERTA CENTRAL – BANK AND NON-BANK ABCP

($000's)	DBRS Credit Rating	Face Value Received Upon Restructuring	Face Value Sold and Principal Repayment	Face Value as at December 31, 2010	Face Value as at December 31, 2009
Non-bank sponsored ABCP					
MAV 2 notes:					
Class A-1	A (high)	98,577	(316)	98,261	98,321
Class A-2	BBB (low)	56,334	–	56,334	56,334
Class B	–	10,226	–	10,226	10,226
Class C	–	5,107	–	5,107	5,107
Tracking notes	–	9,953	(3,155)	6,798	8,015
		180,197	(3,471)	176,726	178,003
MAV 3 tracking notes:					
Traditional asset					
Rated	AAA and AA (high)	27,482	(23,798)	3,684	7,749
Unrated	–	7,434	(3,417)	4,017	5,178
Ineligible asset	–	6,979	(1,771)	5,208	5,683
		41,895	(28,986)	12,909	18,610
Non-bank sponsored ABCP		222,092	(32,457)	189,635	196,613
Bank sponsored ABCP					
Rated	A (low)	13,204	–	13,204	13,204
Unrated	–	9,589	–	9,589	9,589
		22,793	–	22,793	22,793
Total ABCP		244,885	(32,457)	212,428	219,406
Face value as at December 31				212,428	219,406
Accrued interest				2,574	2,261
Fair value adjustment as at December 31				(92,438)	(97,627)
Fair value as at December 31				122,564	**124,040**

The estimated fair value of ABCP is subject to significant risk and uncertainty, including the amount and timing of future cash flows, market liquidity and the credit quality of the underlying assets. As the fair value of ABCP has been estimated using a discounted cash flow model based on the assumptions noted above, it is reasonably possible that changes in conditions in the near term could require a material change in the estimated fair value. An increase of 25 basis points in the discount rate would result in a $2.2 million decrease in the fair value of ABCP and a decrease of 25 basis points would result in a $2.2 million increase in the fair value of ABCP.

These investments have been excluded from the liquidity calculations discussed later in this report. Alberta Central has operated, and continues to operate, within its legislated liquidity requirements.

Discontinued Operations

On October 1, 2007, the net assets related to the retail credit card business of the CUETS joint venture were sold to CUETS Financial Ltd., a wholly owned subsidiary of MBNA Canada Bank for an after-tax gain

of $56.7 million. On January 1, 2008, the remaining net assets related to the CUETS merchant acquiring business were sold to First Data Corporation for an after-tax gain of $5.8 million.

In conjunction with the sale of net assets related to the retail credit card business, the joint venture owners (Alberta Central and SaskCentral) entered into a non-competition and non-solicitation agreement which restricts them from issuing, holding or being a party to a credit card business in Canada. This agreement is effective until September 30, 2011.

Share Dividends

Share capital dividends of $2.9 million were calculated and paid in 2010 using members' minimum monthly common share capital account balances and the average monthly prime interest rate less one percent. In 2009, share dividends were calculated using the average monthly prime interest rate and totaled $4.4 million. Alberta Central's return on assets on an after share dividend basis was 0.44%, compared to 0.36% in 2009.

The payment of share dividends and the timing and amount of such dividends is subject to the discretion of the Board of Directors and depends on Alberta Central's capital position and financial results.

Liquidity and Regulatory Capital

Alberta Central is the prescribed liquidity manager for Alberta's credit unions. Alberta Central's bylaws require Alberta credit unions to maintain a minimum of 1% of their assets as share capital in Alberta Central. Credit unions are also required to maintain liquidity deposits at Alberta Central such that their total liquidity deposits and share capital held with Alberta Central comprise no less than 9% of each credit union's liabilities.

Alberta Central participates with other Canadian credit union centrals in a national liquidity arrangement. Under the terms of the governing *National Liquidity Fund Agreement*, participating credit union centrals are required to keep 2% of their respective provincial system's assets in segregated accounts of liquid assets and a further 4% of their provincial system's assets in certain qualifying liquid assets. The securities may be used to provide liquidity to any one or more of the participating centrals.

Provincial legislation also requires Alberta Central to maintain 6% of credit union system assets in qualifying liquid assets. The required balance in qualifying liquid assets at December 31, 2010 was $1.1 billion. Alberta Central's liquidity reserves, when measured by year-end balances, were in excess of the requirements under provincial legislation and the *National Liquidity Fund Agreement*.

Alberta Central's objectives when managing capital are:

- To comply with the capital requirements set by its regulators;
- To maintain a strong capital base to support the credit union system through the development of Alberta Central's business; and
- To maintain a consistently strong credit rating and investor confidence.

Alberta Central's capital levels are regulated under guidelines issued by OSFI and AFE. These regulations require Alberta Central to maintain a prescribed borrowing multiple (the ratio of debt to regulatory capital). For purposes of these calculations, borrowings are comprised of members' deposits, loans and

notes payable and certain derivative financial liabilities. Alberta Central's borrowing multiple positions are outlined below.

ALBERTA CENTRAL – BORROWING MULTIPLE

Year ended December 31,	2010	2009
Alberta Central share capital and retained earnings *($000's)*	$228,373	$215,527
Borrowing multiple	8.3	8.8

In each year, Alberta Central's capital levels exceeded both its regulatory capital and internal capital requirements.

Internal Control over Financial Reporting

There have been no changes in Alberta Central's design of internal controls and procedures over financial reporting during the year ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, Alberta Central's internal control over financial reporting during the period covered by this management discussion and analysis.

Critical Accounting Estimates and Assumptions

The accompanying consolidated financial statements have been prepared in accordance with Canadian GAAP. The significant accounting policies used in preparation of the audited consolidated financial statements are described in note 1. These accounting policies require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates. Critical areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the valuation of ABCP, the fair value of financial instruments, and the provisions for specific and non-specific credit losses on commercial loans and mortgages.

Current Year Changes in Accounting Policies

There were no changes in Alberta Central's accounting policies during 2010.

Future Changes in Accounting Policies

The Canadian Institute of Chartered Accountants (CICA) amended Handbook Section 3855 to include additional guidance on separating a prepayment option embedded in a host debt instrument. The amendment is effective for Alberta Central on January 1, 2011.

The CICA will transition from Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). Alberta Central will begin reporting under IFRS in 2011 with comparative data for 2010.

Prairie Central Merger

During 2008 Alberta Central, SaskCentral and Credit Union Central of Manitoba signed a *Memorandum of Understanding* committing the three centrals to the joint development of a business strategy for a new merged prairie central. The merger of the three centrals required the approval of the membership of each central and was subject to regulatory approval. During 2010, Alberta Finance determined it was unable to support the proposed merger arrangement. The initiative was therefore suspended.

Economic Outlook Beyond 2010

Alberta Central's outlook for the upcoming fiscal year, prepared as of February 17, 2011, was based on information derived from various sources, including Statistics Canada, the Conference Board of Canada, Canada Mortgage and Housing Corporation and the Province of Alberta. Management believes that the outlook for the global economy is positive despite some uncertainty due to weak labour markets in some advanced countries, sluggish growth in Europe and recent political instability in the Middle East. Global economic growth is expected to be driven largely by developing countries and a few developed nations. Modest growth is expected for the United States, as this economy remains fragile due to the slow pace of employment growth. Given this outlook, it is anticipated that the US Federal Reserve will maintain its quantitative easing program along with low interest rates in the foreseeable future. Management expects that Canada's economic performance in 2011 will be largely dependent on the United States and global economies as trade and business investment will drive growth since domestic demand in the form of consumer and government spending will taper off. It is anticipated that the outlook for the United States economy will therefore result in a softening of Canada's economic growth.

Inflationary pressure in Canada will likely remain subdued in 2011 due to excess supply in the economy. The Bank of Canada's base case projections for core Consumer Price Index (CPI) fall well within the inflation target of about 2% throughout 2011. According to the Bank's January 2011 Monetary Policy Report, the Bank's inflation projection assumes a gradual reduction in monetary stimulus. It can therefore be expected that the Bank will slowly increase its policy interest rate in 2011 if its assumptions hold true.

The Alberta economy is forecast to expand by 2.8% in 2011. Growth is expected to be larger in goods-producing industries than in services, particularly mining and construction. It is anticipated that the energy sector will fully recover, with unconventional oil production increasing to a level sufficient to outpace the expected decline in production from conventional fields. Oil prices will likely continue to rise in the near term, due to demand brought about by economic recovery and supply pressure resulting from political uncertainty in Middle East oil producers, which will likely result in further oil sands investments and contribute to growth in construction.

The Alberta economy is forecast to expand by 2.8% in 2011. Growth is expected to be larger in goods-producing industries than in services, particularly mining and construction.

The housing market is expected to grow marginally in 2011, reflecting practically no change in housing starts and a slight increase in the sale of existing homes. Growth in multi-family housing starts is projected to contract but an increase in single-detached housing starts is expected to offset this decline. The average resale price of homes is forecast to increase by 0.9%, indicative of a more balanced housing market. The expectations for the housing market are largely dependent on developments in the labour market and an anticipated increase in net migration. A number of large commercial office properties in the major urban centres of Alberta are believed to be scheduled to be completed in 2011. This is expected to result in a short-term rise in the vacancy rate; however growing demand for additional space should emerge with economic recovery.

Employment in Alberta is projected to grow by 3.0% in 2011. It is expected that the number of new jobs that will be created will be more than sufficient to accommodate a forecast increase in the labour force and will yield a reduction in the unemployment rate. Growth in average weekly wages is anticipated to slow, contributing to slower growth in disposable income. This will likely have a trickledown effect with consumer spending and personal savings rates which are also forecast to increase, but at a slower rate than in 2010.

Risk Management

Alberta Central recognizes risk management as one of its most important responsibilities. Risk is inherent in business and when managed appropriately is a source of growth and sustainability. Alberta Central's objective is to optimize risk for the protection and creation of member value. Optimizing risk means striking a balance between risk and reward, and at the same time, ensuring that the company's risk-taking is consistent with its strategic plans and risk tolerance.

In order to meet risk management objectives, risks must be identified, understood, measured, assessed and managed on an enterprise-wide basis. We recognize that implementing an effective enterprise risk management program is a process and an investment. This entails significant time and effort to ensure that risks are recognized, governed and appropriately managed in providing for the safety, soundness and good reputation of Alberta Central as a whole.

The implementation of Alberta Central's enterprise risk management framework addresses these needs and is an integral component of Central's strategic planning process. During 2010, progress toward implementing the framework included establishing a Management Risk Committee (MRC) comprised of the executive management team. The mandate of the MRC is to examine and assess the significant risks facing Alberta Central on a regular basis. Additionally, Alberta Central has developed robust risk reporting which summarizes the results of the MRC risk assessment, Alberta Central's risk profile, risk direction and analysis of trends, descriptions of risk drivers and the controls in place to contain risks.

Alberta Central's Board of Directors has overall responsibility for understanding the significant risks to which Alberta Central is exposed, establishing prudent risk management policies for those risks and ensuring that those policies are adhered to and that an effective risk management process is in place. Under the *Terms of Reference* of the Audit and Finance Committee, certain risk management responsibilities are delegated to the Audit and Finance Committee by the Board. Risk reporting is presented to the Audit and Finance Committee on a quarterly basis.

Alberta Central's risk assessment is based on generally accepted risk "likelihood and impact" assessment techniques. Central's risk categories are broadly described as follows:

- Capital adequacy risk
- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other price risk
- Liquidity risk
- Corporate governance risk
- Operational risk
- Legal and regulatory risk
- Strategic risk

Elements of each of these areas are individually assessed by Alberta Central's MRC and the results of these assessments are summarized into the appropriate category. Overall risk ratings are determined by multiplying the impact criteria by the likelihood criteria for each risk. Each risk is then ranked within the appropriate risk category based on the total severity score.

Experienced and qualified staff at Alberta Central manage each of these risk categories through compliance with established policies and procedures within delegated authority levels and limits. Internal audit reports independently to the Audit and Finance Committee on the effectiveness of the risk management policies and the extent to which internal controls are in place and operating effectively.

Risk categories are described in further detail below.

Capital Adequacy Risk

Capital adequacy risk is the risk of financial loss and/or regulatory intervention due to the failure of Alberta Central to maintain the prescribed capital base to meet regulatory requirements and/or the capital base necessary to support its business plans. Alberta Central's capital management processes anticipate the capital requirements and the sources that will be drawn upon to maintain the necessary level of capital throughout the year. Management regularly monitors and reports the levels and quality of the company's capital to the Audit and Finance Committee. Alberta Central's 2011 operating initiatives include the development of an overall capital management plan.

Alberta Central's capital position as at December 31, 2010 is described in note 2 to the audited consolidated financial statements.

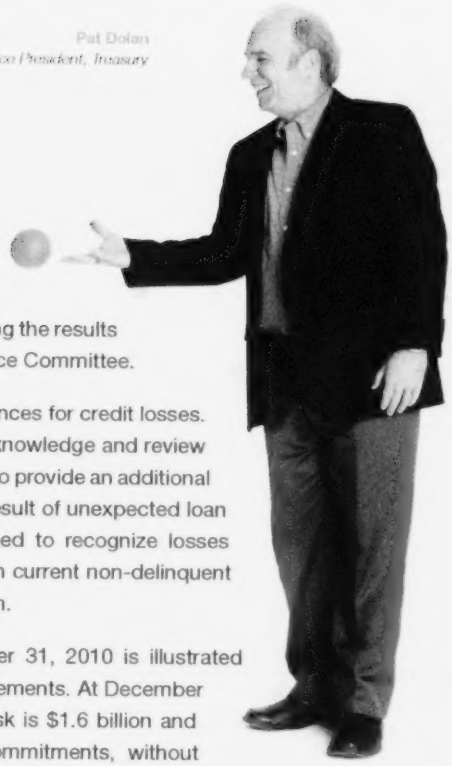
Credit Risk

Credit risk is the potential for loss due to the failure of a borrower or counterparty to meet its financial or contractual obligations. Alberta Central is exposed to credit risk in its lending operations and in its investment activities.

Alberta Central's lending and investment policies addressing credit risk are reviewed and approved annually by the Board of Directors. Management regularly reviews credit procedures to ensure they provide relevant, appropriate guidance for the underwriting and administration of all types of loans. Alberta Central's lending activity is predominantly to serve the needs of Alberta credit unions and their members. Alberta Central's commercial lending activity is usually as a secondary syndication partner with credit unions; however, loans must meet Alberta Central's lending criteria without reliance on the due diligence process of any syndication partner.

Alberta Central employs and is committed to a number of important principles to manage credit exposures:

- A Credit Committee of the Board whose duties include approval of lending policies, establishment and delegation of loan limits and approval of larger credits;
- Delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process, a defined approval process for loans in excess of those limits and the review of larger credits by senior management personnel prior to recommendation to the Credit Committee;
- Employment of personnel engaged in credit granting who are qualified and experienced in lending;
- Lending policies that are communicated to employees whose activities and responsibilities include credit granting and risk assessment;



Pat Dolan
Assistant Vice President, Treasury

- Annual reviews of loans; and
- Independent reviews by internal audit, which includes reporting the results to senior management and Alberta Central's Audit and Finance Committee.

Alberta Central maintains both specific and non-specific allowances for credit losses. Specific allowances are established, based on management's knowledge and review of individual loans. The non-specific or general allowance exists to provide an additional allowance against possible volatility in future cash flows as a result of unexpected loan defaults. The non-specific allowance for credit losses is raised to recognize losses incurred but not specifically identified. It is calculated based on current non-delinquent credit balances and delinquency rates in the credit union system.

Alberta Central's total exposure to credit risk as at December 31, 2010 is illustrated in the tables in note 2 to the audited consolidated financial statements. At December 31, 2010, Alberta Central's total pending exposure to credit risk is $1.6 billion and its maximum exposure to credit risk, including undrawn commitments, without taking account of any collateral held or other credit enhancements, was $3.5 billion. At December 31, 2010, Alberta Central had a total of $0.9 million in specific loan loss allowance and $1.2 million in non-specific loan loss allowance, as is illustrated in note 2 and 4 to the audited consolidated financial statements. Impaired loans are outlined in note 2 to the audited consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that interest rate fluctuations may erode Alberta Central's earnings or economic value. Alberta Central's balance sheet is comprised of interest-bearing assets and liabilities with different maturity dates, which expose Alberta Central to interest rate risk.

Monitoring exposures to interest rate fluctuations and their potential impacts on interest margins is accomplished through interest rate scenario testing of assets, liabilities and equity against the effects of multiple possible interest rate increases and decreases. Alberta Central's interest rate risk policy defines specific tolerances for changes in net interest income and net economic value. Alberta Central also uses gap analysis and simulation modeling to analyze the effects of interest rate fluctuations on net interest income. This forecasting is then used in developing defensive strategies, where appropriate, to ensure any variations are managed within established tolerance limits.

The extent of Alberta Central's exposure to interest rate changes as at December 31, 2010 is illustrated in the interest sensitivity table in note 2 to the audited consolidated financial statements.

Foreign Exchange Risk

Foreign exchange risk is the risk that Alberta Central's earnings will be negatively affected by currency fluctuations. Alberta Central's foreign exchange policies and procedures specifically identify the types of transactions permitted, authorizations, limits, and monitoring and reporting requirements. Alberta Central is authorized to hold up to US $5.0 million, £0.5 million and €0.5 million in excess of, or short of its foreign currency liabilities. Alberta Central's exposure to foreign exchange fluctuations is monitored on a daily basis.

Alberta Central's net foreign exchange risk exposure is illustrated in note 2 to the audited consolidated financial statements.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Alberta Central's most significant other price risk relates to its holdings of ABCP, as described in note 3 to the audited consolidated financial statements.

Liquidity Risk

Alberta Central is responsible for managing its own liquidity (including Alberta Central's portion of the National Liquidity Fund) as well as managing the liquidity pool for Alberta credit unions.

Liquidity risk is the risk of being unable to meet financial commitments through regular cash flows. Inability to meet financial commitments through cash flows can lead to losses as Alberta Central could be forced to raise funds at higher costs or sell assets at reduced prices. For Alberta Central this means ensuring that managed assets must be available to meet its own needs as well as the needs of Alberta credit unions. Alberta Central has established policies to ensure the company is able to generate sufficient funds to meet all of its financial commitments in a cost effective manner as they occur. These policies are annually reviewed and approved by the Board of Directors.

Alberta Central's liquidity management policies and procedures include:

- Specific limits for types, amounts, and duration of investments;
- Investment dealer restrictions;
- Approved sources of deposit funds;
- Approved sources for borrowing funds;
- Monitoring actual cash flows on a daily basis;
- Forecasting future cash flow requirements;
- Scenario testing and contingency planning;
- Daily monitoring of liquidity position; and
- Quarterly reports to Alberta Central's internal Asset Liability Committee and the Board of Directors.

Alberta Central's contractual maturities for financial liabilities are illustrated in note 2 to the audited consolidated financial statements.

Corporate Governance Risk

Corporate governance risk is the risk of financial and/or reputational impairment caused by lack of effectiveness of the Board of Directors and senior management. Alberta Central's organizational structures, policies and controls are designed to provide effective corporate governance. Effective corporate governance is attained through the diligence of knowledgeable and competent directors and senior managers.

Alberta Central's processes and procedures include:

- Director qualification and competency criteria;
- A comprehensive director orientation program;
- Ongoing director development and training;

- Regular Board and committee meetings, including a Governance Committee;
- An annual strategic planning process;
- An annual Board evaluation process;
- Board evaluation of senior management;
- Established performance management processes;
- Individual performance scorecards; and
- Leadership development programs.

Operational Risk

Operational risk includes risk associated with the execution of the business process.

Operational risk is the risk of loss arising from ineffective or failed internal processes, technology, human performance. Its impact can be financial loss, loss of reputation, loss of competitive position or regulatory censure. Due to the nature of operational risk, it cannot be completely eliminated. Alberta Central manages operational risk through established policies and procedures and systems of internal controls, including:

- Programs aimed at attraction and retention of qualified staff;
- Active performance management processes;
- Encouraging and facilitating employee skill development;
- Employee code of conduct certification process;
- Ongoing implementation of enterprise risk management processes including development of business continuity plans;
- Development of effective policies and procedures;
- Clearly delegated authorities and limits;
- Ongoing program of internal audit of effectiveness of operations; and
- Regular review of insurance coverage to ensure adequate protection of insurable assets.

Treasury
(left to right) Carmen Marschall, Sean McQuaid and Tyson Johnston

Legal and Regulatory Risk

Legal and regulatory risk is the risk of loss due to failure to comply with legal and regulatory requirements.

Alberta Central's activities are subject to reviews and periodic on-site examinations by OSFI and AFE. All regulatory correspondence arising from regulatory examinations is reported to the Audit and Finance Committee and Board.

Alberta Central's Chief Compliance Officer maintains a legislative and regulatory compliance management system through which legislative and regulatory requirements are annually reviewed and reported on. The effectiveness of the controls and processes utilized by the Chief Compliance Officer are annually reviewed and reported to the Audit and Finance Committee by internal audit. New policies and procedures are developed to address legislative and regulatory requirements as appropriate. The Board of Directors receives an annual compliance report in which any deficiencies and corresponding action plans are identified.

Strategic Risk

Strategic risk is the risk to Alberta Central's earnings or capital arising from business decisions or flawed implementation of those decisions. This risk is a function of the compatibility between the organization's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals and the quality of implementation.

Alberta Central employs a number of means in order to ensure that its strategic plans are appropriate and relevant including:

- Three Peer Group meetings per year, which are a forum established by Alberta Central to gather input from credit unions regarding their needs and future direction;
- Participation by representatives of Alberta Central in various system committees and professional associations to keep abreast of the current environment;
- Processes to gather strategic planning input from members of Alberta Central's senior management team;
- Joint management/Board strategic planning sessions which are conducted annually; and
- Feedback surveys, which are conducted regularly to gather input from the Board of Directors, credit union clients, and Alberta Central staff. Action plans are developed based on survey results as appropriate.

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2010 Financial Review

Management's Responsibility for Financial Reporting

Management of Credit Union Central Alberta Limited (Alberta Central) is responsible for the integrity and fair presentation of the financial information contained in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where necessary, include amounts which are based on the best estimates and judgment of management. Financial information appearing throughout this annual report is consistent with the consolidated financial statements.

Alberta Central's accounting and related financial controls are designed, and supporting procedures maintained, to provide reasonable assurance that the financial records are complete and accurate, that assets are safeguarded against loss from unauthorized use or disposition and liabilities are recognized. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct and risk management throughout Alberta Central. The system of internal controls is further supported by a professional staff of internal auditors who conduct periodic inspections of all aspects of Alberta Central's operations. The internal auditors have full access to, and meet regularly with, the Audit and Finance Committee of the Board of Directors to review and discuss the results of their work.

Both the federal and provincial regulators of financial institutions conduct examinations and make such enquiries into the business affairs of Alberta Central as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Alberta Central is in sound financial condition.

The Audit and Finance Committee of the Board of Directors, composed entirely of external Directors, reviews the consolidated financial statements, including key management estimates and judgments material to the financial results before such consolidated financial statements are approved by the Board of Directors and submitted to the members of Alberta Central. The Committee reviews the audit plans of the internal and external auditors, the results of their audits and management's response to any identified recommendations for improvements in internal control. The Committee is also responsible for recommending the appointment of the external auditors to the Board of Directors.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements of Alberta Central in accordance with Canadian generally accepted auditing standards and have expressed their opinion in the following report to the members. The auditors have full access to, and meet periodically with, the Audit and Finance Committee both in the presence and absence of management to discuss their audit, including any findings as to the integrity of accounting, financial reporting and related matters.

Graham Wetter
President & CEO

Anne Gillespie
Chief Financial Officer

February 17, 2011

Independent Auditor's Report

To the Members of Credit Union Central Alberta Limited

We have audited the accompanying consolidated financial statements of Credit Union Central Alberta Limited and its joint ventures, which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of operations, members' equity and comprehensive income and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Credit Union Central Alberta Limited and its joint ventures as at December 31, 2010 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
February 17, 2011

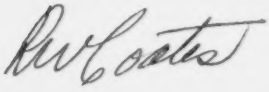
Consolidated **Balance Sheet**

December 31, ($000s)	2010	2009
ASSETS		
Cash and items in transit	64,872	51,103
Securities *(Note 3)*	1,798,522	1,726,323
Accounts receivable and other assets	2,548	7,981
Loans *(Note 4)*	192,967	248,221
Derivative financial assets *(Note 2)*	15,916	20,427
Future tax asset	6,243	7,329
Capital and intangible assets *(Note 5)*	2,563	2,057
Assets of discontinued operations *(Note 17)*	1,987	3,680
	2,085,618	2,067,121
LIABILITIES		
Accounts payable and accrued liabilities *(Note 11)*	10,403	12,034
Members' deposits *(Note 6)*	1,810,370	1,798,503
Loans and notes payable *(Note 7)*	19,993	19,997
Derivative financial liabilities *(Note 2)*	15,916	20,427
Liabilities of discontinued operations *(Note 17)*	274	651
	1,856,956	1,851,612
MEMBERS' EQUITY		
Common share capital *(Note 10)*	187,392	181,708
Retained earnings	40,981	33,819
Accumulated other comprehensive income (loss)	289	(18)
	228,662	215,509
	2,085,618	2,067,121

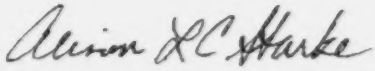
Commitments *(Note 14)*

See accompanying notes.

Signed on behalf of the Board,



Ray Coates
Acting Chair/First Vice Chair



Alison Starke
Chair, Audit and Finance Committee

Consolidated **Statement of Operations**

Year Ended December 31, ($000s)	2010	2009
Financial income		
Interest on securities	13,852	15,895
Interest on loans	9,778	10,310
	23,630	26,205
Financial expenses		
Interest on members' deposits	10,679	13,798
Interest on loans and notes	149	206
	10,828	14,004
Financial margin	12,802	12,201
Recovery of (provision for) credit losses		
on commercial loans and mortgages *(Notes 2 and 4)*	(1,316)	79
Gain on sale of securities *(Note 3)*	157	2,657
	11,643	14,937
Operating income *(Note 11)*	23,308	23,021
Operating expenses *(Note 11)*	(25,417)	(23,466)
Equity loss in Celero Solutions *(Note 9)*	(3,649)	(5,329)
EARNINGS BEFORE THE UNDER NOTED	5,885	**9,163**
Increase in estimated fair value of ABCP *(Note 3)*	4,000	–
Earnings before income taxes	9,885	9,163
Income taxes *(Note 13)*		
Current income tax (recovery)	–	(83)
Future income tax expense	1,542	2,075
	1,542	1,992
Net earnings for the year from continuing operations	8,343	7,171
Earnings from discontinued operations, net of income tax *(Note 17)*	1,235	1,714
NET EARNINGS FOR THE YEAR	9,578	**8,885**

See accompanying notes.

Consolidated Statements of Members' Equity and Comprehensive Income

Year Ended December 31, ($000s)	2010	2009
COMMON SHARE CAPITAL		
Balance, end of year *(Note 10)*	187,392	181,708
RETAINED EARNINGS		
Balance, beginning of year	33,819	28,551
Net earnings for the year	9,578	8,885
Share capital dividends *(Note 12)*	(2,944)	(4,418)
Recovery of income tax on share capital dividends	528	801
Balance, end of year	40,981	33,819
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance, beginning of year	(18)	2,226
Change in unrealized gains (losses) on available-for-sale securities, (net of income tax of $73; 2009 – $(689))	307	(2,244)
Balance, end of year	289	(18)
TOTAL MEMBERS' EQUITY	228,662	**215,509**
COMPREHENSIVE INCOME		
Net earnings for the year	9,578	8,885
Other comprehensive income (loss)	307	(2,244)
COMPREHENSIVE INCOME	9,885	**6,641**

See accompanying notes.

Consolidated **Statement of Cash Flows**

Year Ended December 31, ($000s)	2010	2009
Cash resources provided by (used in):		
Operating activities		
Net earnings for the year	9,578	8,885
Items not affecting cash:		
Earnings from discontinued operations	(1,235)	(1,714)
Gain on sale of securities	(157)	(2,657)
Depreciation and amortization	738	847
Future income tax expense	1,542	2,075
Adjustment to capital asset carrying values	80	3
Increase in estimated fair value of ABCP	(4,000)	–
Provision for (recovery of) credit losses on commercial loans and mortgages	1,316	(79)
	7,862	7,360
Changes in non-cash operating components		
Accounts receivable and other assets	5,433	(3,669)
Accounts payable and accrued liabilities	(1,845)	2,329
	3,588	(1,340)
Cash flows from operating activities of continuing operations	11,450	6,020
Cash flows from operating activities of discontinued operations	2,309	756
	13,759	6,776
Financing activities		
Increase in members' deposits	11,867	52,257
Increase (decrease) in loans and notes payable	(4)	5,013
Issuance of share capital, net of redemptions	5,684	1,378
Payment of share capital dividends	(2,944)	(4,418)
Reduction of income tax on payment of share capital dividends	528	801
	15,131	55,031
Investing activities		
Increase in securities	(67,892)	(274,085)
Decrease in loans	53,938	168,856
Acquisition of capital and intangible assets	(1,324)	(288)
Proceeds from sale of securities	157	3,575
	(15,121)	(101,942)
Increase (decrease) in cash resources	13,769	(40,135)
Cash resources, beginning of year	51,103	91,238
Cash resources, end of year	64,872	51,103
Cash resources consist of:		
Cash	63,361	45,724
Cheques and other items in transit	1,511	5,379
	64,872	51,103
Supplemental information:		
Interest paid	8,882	22,317
Income taxes received	(170)	(3,820)

See accompanying notes.

Notes to the Consolidated Financial Statements

December 31, 2010 ($000s)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Credit Union Central Alberta Limited (Alberta Central) have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada (OSFI) and Alberta Finance and Enterprise (AFE). The financial statements include the accounts of Alberta Central and its proportionate share in the assets, liabilities, revenues and expenses of its joint ventures, and reflect the following policies, which conform, in all material respects to GAAP:

a) Changes in accounting policies

There are no changes in accounting policies applicable in the current year.

b) Cash resources

Cash resources consist of cash and items in transit.

c) Financial assets and liabilities

All financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. All financial liabilities are classified as held for trading or other financial liabilities. Management determines the classification of its investments at initial recognition.

Held for trading

A financial asset or liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivative instruments are classified as held-for-trading and measured at fair value (both initially and subsequently) with any gains or losses arising due to changes in fair value being recorded in the statement of operations. No derivatives are designated as accounting hedges.

OSFI has issued Guideline D-10 *Accounting for Financial Instruments Designated as Fair Value Option* which provides application guidance in designating a financial instrument as held for trading upon initial recognition. The guideline provides further recognition and measurement criteria and disclosure requirements that are consistent with international accounting standards. Subject to requirements under OSFI guidelines, Alberta Central may designate any financial instrument as held for trading on initial recognition if fair value can be reliably determined, irrespective of whether the instrument would otherwise qualify as held for trading.

All financial assets and liabilities classified or designated as held for trading are measured at fair value with changes in fair value (unrealized gains or losses) recognized in earnings. Any interest earned (or incurred) continues to be recognized on an accrual basis as interest income (or expense).

Available for sale

Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Financial assets classified as available for sale are measured at fair value with changes in fair value (unrealized gains or losses) recognized in other comprehensive income rather than earnings. Changes in fair value are accumulated under a balance sheet category called accumulated other comprehensive income (loss). When unrealized gains and losses become realized through sale or impairment, they are reclassified from accumulated other comprehensive income (loss) to earnings. Any interest or dividends earned continue to be recognized on an accrual

basis in interest income. Securities classified as available for sale which do not have a readily available market value are recorded at cost.

Held to maturity
Held to maturity financial assets have fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. If Alberta Central were to sell other than an insignificant amount of held to maturity assets, the entire category would be reclassified as available for sale. Held to maturity financial assets are measured at amortized cost. Any interest earned is recognized on an accrual basis as interest income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that Alberta Central intends to sell immediately or in the short term, or those designated as available for sale. Financial assets classified as loans and receivables are accounted for at amortized cost. Any interest earned is recognized on an accrual basis as interest income.

Other financial liabilities
Financial liabilities, except for derivatives, are measured at amortized cost unless classified as held-for-trading (or designated as such under the fair value option).

The fair values of loans and receivables and other financial liabilities approximate carrying value due to their short term nature.

Fair values for financial instruments traded in an active market have been determined by the quoted market bid price. Where independent quoted market prices are not available, fair values have been determined based on the quoted market price for similar securities or through valuation techniques.

Transaction costs are expensed as incurred for financial instruments classified or designated as held for trading and are capitalized upon initial recognition for other financial instruments.

Accumulated other comprehensive income (loss) is included on the consolidated balance sheet as a separate component of members' equity and includes unrealized gains and losses on available for sale securities and where applicable, unrealized gains and losses on cash flow hedging instruments.

Alberta Central enters into various derivative contracts in the normal course of its business, including interest rate swaps, call options, index options and foreign exchange forwards. The instruments are used to meet the needs of member credit unions and as part of Alberta Central's asset/liability management. Other than credit risk, Alberta Central does not accept any net market risk exposure to derivative contracts entered into on behalf of member credit unions as it enters into offsetting contracts with other financial institution counterparties. Derivative assets and liabilities are marked to market with net changes in value recorded in earnings.

Embedded derivatives are components within a financial instrument or other contract that have features similar to a derivative. Embedded derivatives must be separated from the host instrument and accounted for separately if the economic risks and characteristics of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument and the host instrument is not already measured at fair value with changes in fair value recognized in earnings. Where Alberta Central is required to separate an embedded derivative from its host instrument but is unable to measure the fair value of the embedded derivative separately, the entire instrument is treated as a held for trading financial instrument measured at fair value with changes in fair value measured in earnings.

d) Provision for losses

Alberta Central maintains an allowance for impairment to absorb losses in its loan portfolios. This allowance is determined by regular management reviews of each loan to identify impairment. When a loan is classified as impaired, the accrual of interest is discontinued. A specific allowance is recorded to reduce the carrying amount of loans to their estimated realizable values. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. In addition, a non-specific allowance based on management's estimate and an overall evaluation of risk in the loan portfolio is made in recognition for losses incurred but not specifically identified on an item-by-item basis.

e) Equity investment

Alberta Central uses the equity method to account for an investment over which it exercises significant influence. Under this method, Alberta Central's share of the net earnings or loss of the investment is recorded in the consolidated statement of operations. The book value of the investment is adjusted for the share of earnings and distributions received from the investee. Investments are written down to recognize losses in the value of the investment that are other than temporary.

f) Intangible assets

Intangible assets consist of operating software and are amortized over periods ranging from three to five years.

Intangible assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the intangible assets is not recoverable and exceeds its fair value. An impairment loss is measured as the amount by which the carrying amount of the intangible asset exceeds its fair value.

g) Capital assets

Capital assets are depreciated on a straight-line basis over the following periods:

Equipment	3 years
Leasehold improvements	Over the term of the lease
Furniture and fixtures	10 years

h) Income taxes

Alberta Central follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The future tax assets and liabilities are calculated using enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets to the amount expected to be realized.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The areas with the greatest uncertainty are the valuation of asset backed commercial paper (ABCP), the fair value of financial instruments and the provision for credit losses. Actual results could differ from those estimates.

j) Disposal of long-lived assets and discontinued operations

Components of Alberta Central held for sale or sold during the year are reported as discontinued operations if the operations and cash flows of the components will be eliminated from the ongoing operations as a result of the disposal transaction and Alberta Central will not have continuing involvement in the operations of the components after the disposal transaction.

k) Future accounting changes

The Canadian Institute of Chartered Accountants (CICA) amended Handbook Section 3855 to include additional guidance on separating a prepayment option embedded in a host debt instrument. The amendment is effective for Alberta Central on January 1, 2011.

The CICA will transition from Canadian GAAP for publicly accountable entities to International Financial Reporting Standards (IFRS). Alberta Central will begin reporting under IFRS in 2011 with comparative data for 2010.

2. FINANCIAL RISK MANAGEMENT

Alberta Central's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Alberta Central's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance.

Credit risk

Alberta Central takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for Alberta Central by failing to discharge an obligation. Credit exposures arise from investment activities that bring debt securities and derivatives into Alberta Central's securities and derivatives portfolios, lending activities that lead to loans, and deposits held with third party financial institutions. There is also credit risk in off-balance sheet financial instruments such as unfunded loan commitments and letters of credit.

Alberta Central, as the manager of the provincial credit union system liquidity pool, is responsible to develop an earning asset base while providing for borrowing needs of credit unions and their members. Alberta Central manages credit exposure on investment activities by adhering to an investment policy which identifies a basic standard of investment quality. Alberta Central's lending function focuses on the provision of loans to member credit unions and is closely integrated and coordinated with Alberta Central's liquidity management role. Alberta Central does provide commercial lending, however total commercial loans, leases, guarantees, investments in mortgage pools and investments in non-credit union borrowing members shall not exceed 150% of Alberta Central's members' equity as at the end of the previous fiscal year.

Alberta Central structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are subject to an annual or more frequent review by management, when considered necessary.

Alberta Central employs and is committed to a number of important principles to manage credit exposures, which include:

- a Credit Committee of the Board whose duties include approval of lending policies, establishment and delegation of loan limits and approval of larger credits;
- delegated lending authorities, which are clearly communicated to personnel engaged in the credit granting process, a defined approval process for loans in excess of those limits and the review of larger credits by senior management personnel prior to recommendation to the Credit Committee of the Board;
- employment of personnel engaged in credit granting who are qualified and experienced in lending;
- lending policies which are communicated to employees whose activities and responsibilities include credit granting and risk assessment;
- annual reviews of loans;
- independent reviews by Alberta Central's internal audit group, which includes reporting the results to senior management and Alberta Central's Audit and Finance Committee.

Alberta Central's fair value estimate of its holdings of ABCP represents management's best estimate of the current value of the instruments, taking into account changes in market rates and credit risk since their origination (Note 3). There have been no other significant changes in credit risk from the prior year.

The table below shows Alberta Central's total lending exposure to credit risk without taking account of any collateral held or other credit enhancements.

Credit Risk Exposure by Portfolio			2010	2009
	Outstanding	Undrawn Commitments	Total Exposure	Total Exposure
Credit unions	12,340	1,376,920	1,389,260	1,186,152
Commercial loans and mortgages	154,800	53,918	208,718	223,695
Cooperatives	13,781	12,664	26,445	22,612
Celero Solutions	10,377	4,100	14,477	13,611
Employee mortgages	3,027	–	3,027	4,466
	194,325	1,447,602	1,641,927	1,450,536

Collateral for the lending portfolio is as follows:

- Credit unions: security agreement over the accounts and instruments of the credit unions;
- Commercial loans and mortgages: secured primarily by real estate, as well as a personal or corporate guarantee;
- Cooperatives: secured by real estate;
- Celero Solutions: general security agreement;
- Employee mortgages: secured by the residence.

At December 31, 2010, Alberta Central had no loans that were past due. Impaired loans consisted of the following:

			2010
	Gross Impaired Loans	Specific Allowances	Net Carrying Value
Commercial loans and mortgages	15,324	500	14,824
Cooperatives	393	393	–
	15,717	893	14,824

At December 31, 2009, Alberta Central had no loans that were past due or impaired.

Alberta Central's credit portfolio is 96.1% (2009 – 95.5%) concentrated in Alberta and remains diversified across the industry sectors presented in the table below:

		2010		2009
	Outstanding	% of Total	Outstanding	% of Total
Real estate	98,373	50.6%	104,328	42.0%
Hospitality	42,912	22.1%	30,222	12.2%
Finance and insurance	16,892	8.7%	83,767	33.7%
Health care	13,083	6.7%	17,845	7.2%
Retail	12,686	6.5%	1,429	0.6%
Technology	10,377	5.4%	10,710	4.3%
	194,325	100.0%	248,301	100.0%

Alberta Central is party to financial instruments with off-balance sheet risk that, in the normal course of operations, are used to meet its own and its credit union members' financial needs. These instruments include commitments to extend credit, standby letters of credit and financial guarantees. Alberta Central's maximum exposure to credit risk, including undrawn commitments, without taking account of any collateral held or other credit enhancements is:

	2010	2009
Cash at other financial institutions	56,560	41,336
Securities	1,798,522	1,726,323
Derivatives	15,916	20,427
Accounts receivable and other assets	2,548	7,981
Loans outstanding and undrawn commitments	1,641,927	1,450,536
Standby letters of credit and financial guarantees	8,491	11,315
	3,523,964	3,257,918

The average term of commitments is one year. In the normal course of operations, these commitments may expire without being utilized.

The following table shows details of Alberta Central's derivative financial instruments:

	Favourable Contracts				Unfavourable Contracts			
	2010		2009		2010		2009	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps	166,965	3,505	260,300	7,481	166,965	3,505	260,300	7,481
Call options	–	–	15,000	–	–	–	15,000	–
Index options	74,131	12,411	77,410	12,946	74,131	12,411	77,410	12,946
	241,096	15,916	352,710	20,427	241,096	15,916	352,710	20,427

The weighted average interest rate paid on interest rate swaps was 1.94% (2009 – 1.61%). The weighted average interest rate received on interest rate swaps was 4.07% (2009 – 3.65%).

All non-credit union counterparties are with major Canadian financial institutions rated AA or better. Under its *Investment Policy*, Alberta Central has established trading limits for each institution.

Liquidity risk

Liquidity risk is the risk that Alberta Central will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Alberta Central's sources of funding are deposits from credit unions, its commercial paper program and lines of credit with Credit Union Central of Canada.

The majority of deposits from credit unions are required by regulation as Alberta Central is the prescribed liquidity manager for Alberta's credit unions. Alberta Central's bylaws require Alberta credit unions to maintain a minimum of one percent of their assets as share capital in Alberta Central. Credit unions are also required to maintain liquidity deposits at Alberta Central such that the total liquidity deposits and share capital with Alberta Central comprise nine percent of the credit union's liabilities.

Alberta Central participates with other Canadian credit union centrals in a national liquidity arrangement. Under the terms of the governing *National Liquidity Fund Agreement*, participating credit union centrals are required to keep two percent of their respective provincial system's assets in segregated accounts of liquid assets and a further four percent of their provincial system's assets in certain qualifying liquid assets. The securities may be used to provide liquidity to any one or more of the participating centrals.

Provincial legislation also requires Alberta Central to maintain six percent of credit union system assets in certain qualifying liquid assets. The required balance in qualifying liquid assets at December 31, 2010 was $1,090,370 (2009 – $1,047,522). Alberta Central's liquidity reserves, when measured by year end balances, were in excess of the requirements under the *National Liquidity Fund Agreement* and those under provincial legislation.

Contractual maturities for financial liabilities are shown in the table below:

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	Greater than 5 years	Total
Members' deposits	1,463,188	341,682	5,500	–	1,810,370
Loans and notes payable	19,993	–	–	–	19,993
Derivative financial liabilities	5,556	36	10,324	–	15,916
Other liabilities	10,677	–	–	–	10,677
2010	1,499,414	341,718	15,824	–	1,856,956
2009	1,481,477	345,865	24,270	–	1,851,612

Market risk

Market risk is comprised of three types of risk: foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risks exist mainly as a result of the existence of financial assets, derivatives and financial liabilities denominated in foreign currencies. The risk associated with changing foreign currency values is managed under Alberta Central's *Investment Policy* which limits amounts that can be maintained in various currencies. At December 31, 2010, Alberta Central's net exposure to the US dollar was $179 (2009 – ($3,540)) and to the UK Pound Sterling was $389 (2009 – $238).

Interest rate risk

Interest rate risk is the risk that net interest income will be adversely impacted by changes in market interest rates. This risk occurs as a result of disparity in the re-pricing of interest rate sensitive financial assets, derivatives and interest rate sensitive financial liabilities. Alberta Central uses gap analysis and simulation modeling to monitor and manage interest rate risk. Gap analysis measures the difference between the amount of assets and liabilities that re-price in a particular time period.

Alberta Central's interest rate sensitivity position as at December 31, 2010, as presented in the following tables, is based upon the contractual re-pricing and maturity dates of assets and liabilities. The table shows the cumulative gaps at various intervals. As Alberta Central's holdings of ABCP were converted to floating rate notes (Note 3), the related assets have been grouped in the 'within three months' category, as the interest rates re-price during that time period.

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	Greater than 5 years	Non-Interest Sensitive[1]	Total
Assets						
Cash and items in transit	43,739	–	–	–	21,133	64,872
Securities	1,648,831	225,387	44	–	(75,740)	1,798,522
Loans	50,588	53,159	49,012	41,566	(1,358)	192,967
Other assets	–	–	–	–	13,341	13,341
Derivative financial assets	–	36	3,246	–	12,634	15,916
	1,743,158	278,582	52,302	41,566	(29,990)	2,085,618
Weighted average interest rate	1.06%	1.98%	5.08%	5.69%	–	1.26%
Liabilities & Members' Equity						
Members' deposits	1,460,002	341,682	5,500	–	3,186	1,810,370
Loans and notes payable	19,977	–	–	–	16	19,993
Other liabilities	–	–	–	–	10,677	10,677
Derivative financial liabilities	–	36	3,246	–	12,634	15,916
Members' equity	187,392	–	–	–	41,270	228,662
	1,667,371	341,718	8,746	–	67,783	2,085,618
Weighted average interest rate	1.00%	1.15%	3.39%	–	–	1.00%
Total interest rate sensitivity gap	75,787	(63,136)	43,556	41,566	(97,773)	–
Cumulative interest rate sensitivity gap	75,787	12,651	56,207	97,773	–	–
2009	51,466	(41,508)	94,126	97,578	–	–

The following represents Alberta Central's interest rate risk position:

Impact on market value of members' equity from :	2010	2009
Increase in interest rates of 100 basis points	(1,928)	(3,162)
Increase in interest rates of 200 basis points	(3,786)	(6,219)
Decrease in interest rates of 100 basis points	2,003	3,272
Decrease in interest rates of 200 basis points	4,083	6,661

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument, including derivatives, will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Alberta Central's most significant other price risk relates to its holdings of ABCP (Note 3).

Capital management

Alberta Central's objectives when managing capital, which is a broader concept than members' equity on the face of the balance sheet, are:

- To comply with the capital requirements set by its regulators;
- To maintain a strong capital base to support the credit union system through the development of Alberta Central's business; and
- To maintain a consistently strong credit rating and investor confidence.

Alberta Central's capital levels are regulated under guidelines issued by OSFI and AFE. These regulations require Alberta Central to maintain a prescribed borrowing multiple, the ratio of debt to regulatory capital. For purposes of these calculations, borrowings are comprised of members' deposits, loans and notes payable and certain derivative financial liabilities.

1. Provisions and fair value adjustments are included as non-interest sensitive.

For the year ended December 31, 2010, Alberta Central's capital levels exceeded both its regulatory and internal capital requirements.

Fair value of financial instruments

Financial instruments must be classified within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial assets at fair value as at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash and items in transit	64,872	–	–	64,872
Securities				
Held for trading	–	55,091	116,925	172,016
Available for sale	–	1,548,995	5,639	1,554,634
Derivative financial assets	–	7,146	8,770	15,916
	64,872	1,611,232	131,334	1,807,438
2009	51,103	1,401,385	134,071	1,586,559

Financial liabilities at fair value as at December 31, 2010:

Derivative financial liabilities	–	7,146	8,770	15,916
2009	–	10,354	10,073	20,427

Level 3 securities consist of ABCP, the fair value of which has been estimated using a probability weighted discounted cash flow valuation model. The change in Level 3 securities and their fair value is disclosed in Note 3.

3. SECURITIES

	2010	2009
Government	90,058	246,125
Corporate	1,692,031	1,450,337
Venturer's capital in Celero Solutions *(Note 9)*	5,620	5,620
Credit Union Central of Canada	6,055	6,033
Mortgage pool funds	734	14,998
	1,794,498	1,723,113
Accrued interest receivable	4,024	3,210
	1,798,522	1,726,323

	2010	2009
Securities designated as:		
Held for trading	172,016	139,819
Available for sale	1,554,634	1,375,210
Held to maturity	71,135	196,177
Loans and receivables	737	15,117
	1,798,522	1,726,323

In accordance with the *National Liquidity Fund Agreement*, investments in government and corporate securities with a fair value of $371,489 (2009 – $347,326) are maintained in a segregated safekeeping account (Note 2). The remaining balance of the qualifying liquid investments of $1,288,259 (2009 – $1,224,263) is held in government and corporate securities.

On December 31, 2009, Alberta Central sold its investment in The CUMIS Group Limited (CUMIS) for proceeds of $2,778, resulting in a gain on sale of $1,860. This investment was designated as available for sale. In June 2010, additional proceeds of $157 were received relating to this sale.

As at December 31, 2010, Alberta Central held non-bank and bank sponsored asset backed commercial paper (ABCP) with a total face value of $212,428 (2009 – $219,406). At the dates of acquisition, these were short term investments rated R1 (high) by Dominion Bond Rating Service (DBRS), the highest credit rating issued for commercial paper. As a result of the general credit crisis that occurred in 2007 and 2008, they were restructured into longer-term floating-rate notes reflecting the maturity of the related underlying assets as outlined in the following table:

	Expected Maturity	DBRS Rating	Coupon Rate
MAV 2			
Class A-1	2017	A (high)	Bankers' acceptance minus 50 basis points[1]
Class A-2	2017	BBB (low)	Bankers' acceptance minus 50 basis points[1]
Class B	2017	None	Bankers' acceptance minus 50 basis points, payable after principal and interest has been paid on Class A-1 and A-2
Class C	2017	None	Bankers' acceptance plus 20 percent, payable after principal and interest has been paid on Class A-1, A-2 and B
Tracking notes for ineligible assets	2056	None	Floating[2]
MAV 3			
Tracking notes for traditional assets	2017	None to AAA	Floating[2]
Tracking notes for ineligible assets	2017	None	Floating[2]
Bank ABCP			
Rated	2016	A (low)	Bankers' acceptance plus 35 basis points[1]
Unrated	2013 to 2016	None	Bankers' acceptance[1]

The MAV 2 notes are backed by synthetic collateralized debt obligations or a combination of traditional assets and synthetic collateralized debt obligations. The notes have levels of subordination relative to potential losses and principal and interest payments. The MAV 2 Class C notes absorb the first realized losses, followed by the Class B, A-2 and A-1 notes. MAV 2 also contains tracking notes for ineligible assets (US sub-prime assets or home equity loans that may be subject to significant risk of suffering losses).

Certain MAV 3 notes are backed solely by traditional assets while other MAV 3 notes are backed by ineligible assets (US sub-prime assets or home equity loans that may be subject to significant risk of suffering losses).

1 Payable quarterly.
2 Coupon rate floats based on return of underlying assets, net of expenses.

Alberta Central holds two bank-sponsored ABCP notes. These notes have an exposure to commercial mortgages and leveraged super senior tranches of mortgage-backed securities.

All of the ABCP investments have been designated as held for trading financial assets with the exception of one bank-sponsored note with a face value of $9,589 which has been designated as available for sale.

In 2009 Alberta Central sold a MAV 2 tracking note for proceeds and a gain on sale of $797.

During the year, Alberta Central received principal payments of $5,790 and earned interest of $913 on these investments. Due to an event of default during 2010, $1,189 outstanding on account of principal in respect of a MAV 2 tracking note was deemed discharged and no longer outstanding. On June 22, 2010 DBRS placed the credit rating of MAV 2 Class A-1 notes under review with positive implications and confirmed the BBB (low) rating of the MAV 2 Class A-2 notes. On September 21, 2010 DBRS upgraded the MAV 2 Class A–1 notes from A to A (high) and confirmed the BBB (low) rating of the MAV 2 Class A-2 notes.

The ABCP notes are carried at fair value. There have been a limited number of trades in the ABCP notes but Alberta Central does not consider them to be of sufficient volume or value to constitute an active market. In the absence of an active market for ABCP, and consistent with the valuation approach in the prior year, Alberta Central has estimated the fair value of these assets using a discounted cash flow valuation model incorporating management's best estimates of credit risk attributable to underlying assets, market interest rates and other factors that a market participant would consider for such investments. The discount rates underlying the cash flow valuation are based on appropriate forward-credit indices, adjusted to reflect the expected lack of liquidity in the paper. Note coupon rates and maturities are based on the anticipated terms of the paper. Estimated fair values vary by type of note held and are subject to significant measurement uncertainty, both by type of note and in aggregate.

Based on these assumptions, Alberta Central recorded an increase in the estimated fair value of ABCP of $4,000 (2009 – $nil) in the consolidated statement of operations.

Alberta Central held the following investments in bank and non-bank sponsored ABCP with fair values as indicated:

	Face Value Received Upon Restructuring	Sold, Discharged or Principal Repaid	Face Value as at December 31, 2010	Face Value as at December 31, 2009
Non-bank sponsored ABCP				
MAV 2 notes:				
Class A-1	98,577	(316)	98,261	98,321
Class A-2	56,334	–	56,334	56,334
Class B	10,226	–	10,226	10,226
Class C	5,107	–	5,107	5,107
Tracking notes	9,953	(3,155)	6,798	8,015
	180,197	(3,471)	176,726	178,003
MAV 3 tracking notes:				
Traditional asset				
Rated	27,482	(23,798)	3,684	7,749
Unrated	7,434	(3,417)	4,017	5,178
Ineligible asset	6,979	(1,771)	5,208	5,683
	41,895	(28,986)	12,909	18,610
Non-bank sponsored ABCP	222,092	(32,457)	189,635	196,613
Bank Sponsored ABCP				
Rated	13,204	–	13,204	13,204
Unrated	9,589	–	9,589	9,589
Bank sponsored ABCP	22,793	–	22,793	22,793
Total ABCP	244,885	(32,457)	212,428	219,406
Face value as at December 31			212,428	219,406
Accrued interest			2,574	2,261
Fair value adjustment as at December 31			(92,438)	(97,627)
Fair value as at December 31			122,564	**124,040**

As the fair value of ABCP has been estimated using a discounted cash flow model based on the assumptions noted above, it is reasonably possible that changes in conditions in the near term could result in a material change in the estimated fair value. An increase of 25 basis points in the discount rate would result in a $2,198 (2009 – $2,603) decrease in the fair value of ABCP and a decrease of 25 basis points would result in a $2,238 (2009 – $2,663) increase in the fair value of ABCP.

4. LOANS

	2010	2009
Credit unions	12,340	77,699
Cooperatives	13,781	2,521
Commercial loans and mortgages	154,800	152,905
Celero Solutions *(Note 9)*	10,377	10,710
Employee mortgages	3,027	4,466
	194,325	248,301
Less allowances on commercial loans and mortgages:		
Specific *(Note 2)*	(893)	–
Non-specific	(1,200)	(777)
	192,232	247,524
Accrued interest receivable	735	697
	192,967	248,221

5. CAPITAL AND INTANGIBLE ASSETS

			2010	2009
	Cost	Accumulated Depreciation/ Amortization	Net book value	Net book value
Capital assets				
Equipment	4,396	4,237	159	101
Leasehold improvements	5,598	4,890	708	783
Furniture and fixtures	3,129	2,607	522	595
	13,123	11,734	1,389	1,479
Intangible assets				
Operating software	5,356	4,182	1,174	578
	18,479	15,916	2,563	2,057

6. MEMBERS' DEPOSITS

	2010	2009
Current accounts and demand deposits	205,960	197,568
Money market deposits	299,493	330,038
Statutory liquidity deposits	1,301,731	1,269,644
	1,807,184	1,797,250
Accrued interest payable	3,186	1,253
	1,810,370	1,798,503

7. LOANS AND NOTES PAYABLE

	2010	2009
Commercial paper	19,993	19,997

Alberta Central is authorized to issue commercial paper to a maximum of $250,000.

Alberta Central has entered into an agreement with Credit Union Central of Canada (CUCC) for a line of credit to a maximum of $100,000. Pursuant to the terms of the *National Liquidity Fund Agreement*, Alberta Central is obliged to provide a general security interest over Alberta Central's property on demand by Credit Union Central of Canada to secure this line of credit. Amounts are due on demand and bear interest at rates established by the Credit Union Central of Canada Board of Directors. The total interest paid was $149 (2009 – $206). At December 31, 2010, the rate was the bank prime rate less two percent per annum. At December 31, 2010 and 2009 there were no draws on the line of credit with CUCC.

8. JOINT VENTURE

Alberta Central has a 50% interest in Credit Union Payment Services, a payment processing joint venture and proportionately consolidates its interest in this joint venture. Alberta Central's proportionate share of its investment in the Credit Union Payment Services joint venture before inter-entity eliminations is summarized below:

	2010	2009
Balance sheet:		
Current assets	1,304	1,095
Capital and intangible assets	488	448
	1,792	1,543
Current liabilities	767	673
Equity	1,025	870
	1,792	1,543
Statement of earnings:		
Operating income	9,641	9,306
Operating expenses	8,616	8,436
Earnings for the year	1,025	870
Statement of cash flows:		
Cash flows resulting from (used in):		
Operating activities	1,752	798
Financing activities	(761)	183
Investing activities	(332)	(111)
Increase in cash resources	659	870

9. EQUITY INVESTMENT

Alberta Central has a 31.4% interest in Celero Solutions (Celero) which is a joint venture of Alberta Central and various other cooperative entities for the purpose of providing information technology services. While Celero is legally structured as a joint venture, it does not qualify as such for accounting purposes. Accordingly, Alberta Central accounts for its investment in Celero on the equity basis. Prior to October 1, 2007, Alberta Central had a 33.4% direct and an 8.5% indirect interest in Celero through its participation in the CUETS joint venture (Note 17). Under the terms of the *Celero Solutions Joint Venture Agreement*, a re-determination of ownership interests was conducted in 2008 and Alberta Central's ownership interest was reduced to 31.4% effective January 2009.

Alberta Central is liable in proportion to its indirect interest in Celero's 49% subsidiary Everlink Payment Services Inc. (Everlink), for all of Everlink's covenants and obligations under an *Asset Purchase Agreement* and ancillary agreements relating to Everlink's acquisition of switching assets. These covenants and obligations expire in 2012 and 2013 respectively. Alberta Central has entered into financing agreements with Everlink, consisting of a line of credit to a maximum of $2,000 and an authorized overdraft facility to a maximum of $6,275 Canadian and $100 US. Celero has provided a guarantee on these agreements in proportion to its interest in Everlink. At December 31, 2010 and 2009 there were no draws against the line of credit or the authorized overdraft facility.

Celero has entered a *Software License Agreement* in respect of a banking platform for Celero's credit union clients under which Celero is committed to pay a total of $15,085 in software maintenance fees over the next five years. Celero has entered into agreements with credit unions to recover these costs through operating fees over the term of the agreements. Pursuant to various addendums to the *Software License Agreement*, Celero is committed to pay $7,445 in ancillary product maintenance and support fees over the next five years.

Celero has entered an agreement with a third party to manage its mainframe, mid-range and data centre support operations under which Celero is committed to pay $5,657 over the next five years. Celero also has obligations under various agreements for premise sublease and occupancy related services, equipment, licensing, maintenance and professional fees totaling $7,171 over the next five years.

Alberta Central is liable in proportion to its ownership interest in Celero, for all of Celero's covenants and obligations under these agreements.

Celero's operations are funded by capital and operating contributions and loans from its owners (Note 4) bearing interest at the prime rate. During 2009, loans to Celero of $5,620 were repaid and were used to fund venturer's capital contributions of $5,620 (Note 3). Under a *Joint Venture Lender Agreement* dated December 17, 2007 Celero has a line of credit facility to a maximum of $22,500 with interest payable monthly at the Canadian prime rate. Under the terms of the same agreement, Celero also has a $5,000 overdraft facility with Alberta Central bearing interest at the Canadian prime rate. To December 31, 2010, Celero had drawn $15,200 (2009 – $16,200) on the line of credit facility and $nil (2009 – $3,003) on the overdraft facility. The facilities are secured by a *General Security Agreement* over all assets of Celero. All liabilities of Celero remain a liability of each owner in proportion to its ownership interest.

Alberta Central charged Celero $2,878 (2009 – $2,904) for various administrative and facilities services. Celero charged Alberta Central $1,423 (2009 – $921) for information technology services. At December 31, 2010, Alberta Central had a net payable of $201 to Celero (2009 – a net receivable of $145) in respect of operating activities.

Alberta Central's investment in Celero Solutions, excluding amounts due to/from Celero for operating activities, is included in the following balance sheet categories:

	2010	2009
Securities *(Note 3)*	5,620	5,620
Loans *(Note 4)*	10,377	10,710
Accounts payable and accrued liabilities	(3,389)	(5,065)

Subsequent to year end, Alberta Central received $1,539 from Celero as a return on capital invested in securities.

10. COMMON SHARE CAPITAL

Authorized – unlimited number at $5 per share.
Issued and outstanding – 37,478,262 shares (2009 – 36,341,685).

	2010	2009
Balance, beginning of the year	181,708	180,330
Issued	5,811	1,382
Redeemed, at par	(127)	(4)
Balance, end of the year	187,392	181,708

Alberta Central's bylaws require member credit unions to maintain common share capital in Alberta Central in an amount equal to one percent of each credit union's assets as at the end of the credit union's most recent fiscal year. Effective with a bylaw change in September 2010, all requests for redemption of common share capital require approval from Alberta Central's Board of Directors.

11. OPERATING INCOME AND OPERATING EXPENSES

	2010	2009
Operating income		
Financial services	12,704	12,558
Member dues	5,901	5,732
Other	4,703	4,731
	23,308	23,021
Operating expenses		
Personnel	12,525	11,113
Property and equipment	4,411	4,591
Administration and other	5,888	5,163
Organization	2,593	2,599
	25,417	23,466

During the year, Alberta Central incurred retiring allowances of $1,071 which are included in personnel in operating expenses and accounts payable and accrued liabilities. These amounts are expected to be paid in 2011 ($921) and 2012 ($150).

12. SHARE CAPITAL DIVIDENDS

Share capital dividends of $2,944 (2009 – $4,418) were calculated using members' minimum monthly common share capital account balances and the average monthly prime interest rate less one percent (2009 – average monthly prime interest rate).

13. INCOME TAXES

The combined federal and provincial substantively enacted income tax rate applicable to Alberta Central is 19.2% (2009 – 18.2%). Income taxes calculated at substantively enacted rates differ from the provision included in the statement of earnings for the following reasons:

	2010	2009
Income taxes at substantively enacted rates	1,893	1,666
Increase in income taxes (recovery) resulting from:		
Non taxable amounts	(2)	(120)
Impact of rate changes on temporary differences	(410)	638
Other	61	(192)
Provision for income taxes	1,542	1,992

Alberta Central has non-capital loss carryforwards of $20,928 (2009 – $34,807) which are available to offset future taxable income and which expire in 2028.

14. COMMITMENTS

In 2009, Alberta Central extended its premises lease for a period of ten years, commencing on January 1, 2012 to December 31, 2021. The future minimum payments under the lease for each of the next five years and thereafter are as follows:

2011	2,950
2012	2,795
2013	2,795
2014	2,795
2015	2,865
2016 and thereafter	17,700
	31,900

15. PENSION PLANS

Alberta Central contributes annually to a defined contribution pension plan for employees. The annual pension expense of $411 (2009 – $416) is included in personnel expense.

Alberta Central also contributes annually to a funded retirement income plan for executive management which provides a supplemental pension benefit. The funded plan assets at December 31, 2010 were $3,800 (2009 – $3,600) and the projected benefit obligation, which amounted to $3,000 at December 31, 2010 (2009 – $2,900), has been provided for by an annual charge to earnings. The current year expense (recovery) relating to this plan was $480 (2009 – ($47)). Approximately $1,000 of the projected benefit obligation and $275 of the current year expense relates to active employees.

16. DIRECTORS' REMUNERATION

	2010	2009
Remuneration paid to directors	99	114
Expenses paid on behalf of directors	106	133
	205	247

Directors are entitled to receive remuneration for participating in Alberta Central and affiliate organization related business. Certain directors have voluntarily waived their director remuneration. Remuneration to directors ranges from $nil to $18 (2009 – $nil to $25), with an average of $8 (2009 – $9) per annum. The director remuneration policy has not changed from the prior year.

17. DISCONTINUED OPERATIONS

Prior to October 1, 2007, Alberta Central had a 50% interest in CU Electronic Transaction Services (CUETS), a credit card processing entity. Effective October 1, 2007, the net assets related to the retail credit card business of the CU Electronic Transaction Services joint venture were sold to CUETS Financial Ltd., a wholly owned subsidiary of MBNA Canada Bank for an after-tax gain of $56,664. Effective January 1, 2008, the net assets related to the merchant acquiring business were sold to First Data Corporation for an after-tax gain of $5,813. The terms of various non-compete agreements continue until September 2011.

The related assets and liabilities have been reported as assets of discontinued operations and liabilities of discontinued operations on the consolidated balance sheet. The related results have been presented as discontinued operations in the consolidated statement of operations and cash flows for the periods presented.

Alberta Central's proportionate share of the carrying values of the net assets related to the discontinued operations after inter-entity eliminations is summarized below:

	2010	2009
Cash	774	876
Accounts receivable and other assets	–	33
Investments	1,213	2,771
	1,987	3,680
Accounts payable and accrued liabilities	274	651
Undistributed equity	1,713	3,029
	1,987	3,680

The earnings from discontinued operations are summarized as follows:

	2010	2009
Revenue	1,580	1,247
Expenses	58	36
Earnings from discontinued operations before income tax	1,522	1,211
Income tax expense (recovery)	287	(503)
	1,235	1,714

18. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform to the current year's presentation.

19. PROPOSED MERGER

During 2010, Alberta Finance confirmed it was unable to support the proposed merger arrangement among Alberta Central, SaskCentral and Credit Union Central of Manitoba; therefore, the initiative has been suspended. All merger costs have been expensed.

Board of Directors

Jack Paterson
Board Chair (April 2010 – January 2011)
SOUTH REGION

Ray Coates
First Vice Chair
Acting Board Chair (February 2011 – April 2011)
NORTH REGION

Alison Starke
Second Vice Chair
REGION A

Garth Yeomans
Secretary
NORTH REGION

Terry Cooper
Fifth Executive Committee Member
REGION A

Sarah Arthurs
REGION B

Eric Dillon
REGION A

Ian Glassford
REGION A

Paul Kelly
REGION B

Dave Munro
NORTH REGION

Bob Permann
SOUTH REGION

John Richter
SOUTH REGION

Gail Stepanik-Keber
REGION A

Management Team

Graham Wetter
President & CEO

Duane Blahun
Vice President, Payment Services

Anne Gillespie
Chief Financial Officer

Paul Rossmann
Vice President, Strategy & Corporate Development

Dick Williams
Vice President, Financial Services

Susan Borrows
Assistant Vice President, Human Resources

Peter Davis
Assistant Vice President, Government Relations

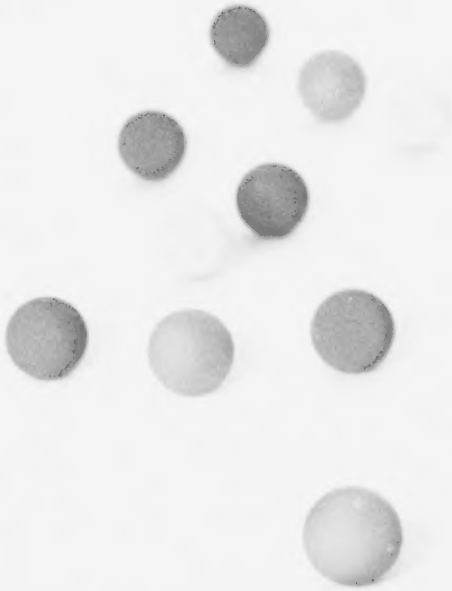
Pat Dolan
Assistant Vice President, Treasury

Greg Feniak
Assistant Vice President,
Relationship Management & Sales

Chris Laxton
Assistant Vice President, Risk Management

Francine Soko
Assistant Vice President, Operations

Corporate Secretary
Susan Greenaway



AlbertaCentral

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